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Ontario Legislative assembly Committee
Select committee on consumer credit
Hearings

Government
Publications

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearing
held at the Parliament Build-
ings, Toronto, Ontario, on
the 23rd day of July, 1963.

COMMISSION:

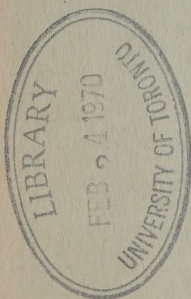
Mr. H. J. Price	-- Chairman
Mr. J. Sedgwick, Q.C.	-- Commission Counsel
Mrs. S. Dell	-- Secretary

P R E S E N T:

Mr. D. W. Irwin, C.A.	-- Financial Consultant
Mr. M. Belanger	-- Member
Mr. P. Hoffman	-- Member
Mr. W. G. Noden	-- Member
Mr. L. Letherby	-- Member
Mr. L. Reilly	-- Member
Mr. J. White	-- Member
Mr. D. C. MacDonald	-- Member
Mr. G. Bukator	-- Member
Mr. A. F. Lawrence	-- Member

A P P E A R A N C E S:

Mr. D. S. Baillie	-- Rosemont Invest- ments Limited (President of Mortgage Brokers Association)
Mr. M. G. Singer	-- Barrister and Mortgage Broker





1 APPEAR SELECT COMMITTEE ON CONSUMER CREDIT

2 Mr. A. P. Proceedings of the hearing Residential &
3 held at the Parliament Build-mercial Invest-
4 ings, Toronto, Ontario, on ents Ltd.
the 23rd day of July, 1963.

5 Mr. J. Newton Forest Hill
Investment Corpn.
Ltd.

5 COMMISSION:

6 Mr. H. J. Price -- Chairman
7 Mr. J. Sedgwick, Q.C. -- Commission Counsel
8 Mrs. S. Dell -- Secretary

9 -----

10 P R E S E N T:

11 Mr. D. W. Irwin, C.A. -- Financial
12 Consultant
13 Mr. M. Belanger -- Member
14 Mr. P. Hoffman -- Member
15 Mr. W. G. Noden -- Member
16 Mr. L. Letherby -- Member
17 Mr. L. Reilly -- Member
18 Mr. J. White -- Member
19 Mr. D. C. MacDonald -- Member
20 Mr. G. Bukator -- Member
21 Mr. A. F. Lawrence -- Member

22 -----

23 A P P E A R A N C E S:

24 Mr. D. S. Baillie -- Rosemont Invest-
25 ments Limited
26 (President of
27 Mortgage Brokers
Association)
28 Mr. M. G. Singer -- Barrister and
29 Mortgage Broker
30



SUBJECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearing
held at the Parliament Build-
ings, Toronto, Ontario, on
the 23rd day of July, 1962.

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- Mr. J. Sedgwick, Q.C. -- Commission Counsel
- Mrs. S. Dell -- Secretary

P R E S E N T:

- Mr. D. W. Irwin, C.A. -- Financial Consultant
- Mr. M. Belanger -- Member
- Mr. P. Hoffman -- Member
- Mr. W. G. Noden -- Member
- Mr. L. Ietherby -- Member
- Mr. L. Kelly -- Member
- Mr. J. White -- Member
- Mr. D. C. MacDonald -- Member
- Mr. G. Bukator -- Member
- Mr. A. F. Lawrence -- Member

A P P E A R A N C E S:

- Mr. D. S. Ballie -- Rosemont Invest-
ments Limited
(President of
Mortgage Brokers
Association)
- Mr. M. G. Stinger -- Barrister and
Mortgage Broker



1 A P P E A R A N C E S: 1:00 A.M.

2 Mr. A. Feldman -- Residential &
3 Commercial Invest-
ments Ltd.

4 Mr. J. Newton -- Forest Hill
5 Investment Corpn.
Ltd.

6 prepared brief. He is with the Forest Hill Investments
7 Limited and President of the Mortgage Brokers Associ-
8 ation. So we will ask you to proceed, Mr. Baillie.

9 MR. BAILLIE: Thank you, Mr. Chairman. Mr.
10 Chairman and honourable members, ladies and gentlemen.
11 There are two important aspects -- I am afraid I wander
12 a little bit from the exact point when I have an
13 opportunity to say some things that I have wanted to
14 say for a long time. The two aspects are two people
15 who are involved in consumer finance -- one is the
16 borrower and the other is the investor or the lender.
17 The effects on these two people are what we are going to
18 discuss together with an outline of our operation.

19 Mortgage investments must compete on the money
20 market with all other forms of investment including real
21 estate, stocks and bonds, etc. If a prudent investor
22 can receive a return of 10% per annum on a reasonably
23 good stock on the Toronto Stock Exchange, then a similar
24 type of real estate investment will bring the same
25 return. In our opinion a lack of understanding, by the
26 borrowing public and in some cases by the investors, of
27 these facts have led to malpractice. We can't alter the
28 hard fact of life that a second mortgage is considered
29 a relatively high risk investment when examined in



APPENDICES:

- Mr. A. Feldman
- Residential & Commercial Invest-
ments Ltd.
- Mr. J. Newton
- Forest Hill
Investment Corpn.
Ltd.



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1 ---ON COMMENCING AT 10:00 A.M.

2 prudent investor will expect and should receive a higher
3 return on investment. This morning we have with us
4 three gentlemen, Mr. D. S. Baillie, Mr. M. G. Singer
5 and we expect Mr. H. Latimer. Mr. Baillie has a
6 prepared brief. He is with the Rosemont Investments
7 Limited and President of the Mortgage Brokers Associ-
8 ation. So we will ask you to proceed, Mr. Baillie.

9 MR. BAILLIE: Thank you, Mr. Chairman. Mr.
10 Chairman and honourable members, ladies and gentlemen.
11 There are two important aspects -- I am afraid I wander
12 a little bit from the exact point when I have an
13 opportunity to say some things that I have wanted to
14 say for a long time. The two aspects are two people
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28 hard fact of life that a second mortgage is considered
29 a relatively high risk investment when examined in
30 the finance company could obtain the same dollar return by



---ON COMMENCING AT 10:00 A.M.

THE CHAIRMAN: This morning we have with us

three gentlemen, Mr. D. S. Bailie, Mr. M. G. Singer

and we expect Mr. H. Lastimer. Mr. Bailie has a

prepared brief. He is with the Rosemont Investments

Limited and President of the Mortgage Brokers Associ-

ation. So we will ask you to proceed, Mr. Bailie.

MR. BAILIE: Thank you, Mr. Chairman. Mr.

Chairman and honorable members, ladies and gentlemen.

There are two important aspects -- I am afraid I wander

a little bit from the exact point when I have an

opportunity to say some things that I have wanted to

say for a long time. The two aspects are two people

who are involved in consumer finance -- one is the

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The effects on these two people are what we are going to

discuss together with an outline of our operation.

Mortgage investments must compete on the money

market with all other forms of investment including real

estate, stocks and bonds, etc. If a prudent investor

can receive a return of 10% per annum on a reasonably

good stock on the Toronto Stock Exchange, then a similar

type of real estate investment will bring the same

return. In our opinion a lack of understanding, by the

borrowing public and in some cases by the investors, of

these facts have led to malpractice. We can't alter the

hard fact of life that a second mortgage is considered

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1 relation to a first mortgage investment and that a
2 prudent investor will expect and should receive a higher
3 return on this type of investment. It is our studied
4 opinion that the most important phase of protecting the
5 public's interest today is the true disclosure of the
6 rate of interest charged on any loan so that the cost of
7 the loan may be compared with others who may be competitors.
8
9 Many borrowers today are faced with the
10 prospect similar to the one which would occur if they
11 went to several stores to compare the price of an item
12 and found that none of the stores would tell them what
13 the purchase price was. It's been said that money is
14 a commodity and is bought and sold on a free, open and
15 competitive market. The price that you pay for money
16 depends entirely on what you can give as security. No
17 other commodity is purchased without first determining
18 that the item is competitively priced.
19
20 The public, by and large, does not know what
21 interest is paid on many loans. The calculation of
22 interest would be too lengthy a subject for this
23 submission but we would of course at some other time
24 be glad to go into this with you. However, you should
25 know that the public can be easily confused by the
26 question of interest rates. A finance company may
27 charge 2% per month which, of course, is 24% per annum
28 on the unpaid balance of the loan, and this rate would
29 give an effective yield of something over 25% because of
30 the fact that the interest is paid monthly. However, the
finance company could obtain the same dollar return by



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2 prudent investor will expect and should receive a higher
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28 give an effective yield of something over 25% because of
29 the fact that the interest is paid monthly. However, the
30 finance company could obtain the same dollar return by



1 saying to the borrower that they will charge him an
2 interest rate of 12% per annum. This anomaly occurs
3 when the 12% is charged on the whole amount of the loan,
4 in advance. When interest is charged in this way, no
5 consideration is given to the fact that money is being
6 repaid during the period of the loan, and that the lending
7 agency has the use of the money for re-investment. This
8 is a very brief example of how one finance company may
9 quote a rate of 24% per annum and another of 12% per
10 annum, but in actual fact the borrower will repay over
11 the same period of time, the same amount of principal,
12 and the same amount of dollars in interest.

13 The charter banks themselves have circumvented
14 the 6% per annum ceiling imposed on them by the Bank Act
15 in this manner. The Canadian Bank of Commerce for years
16 had a very active personal loan department which loaned
17 money ostensibly at the rate of 6% per annum. However,
18 for each \$100.00 borrowed for one year, the bank indi-
19 cated that the rate was 6% per annum or \$6.00 per annum.
20 The borrower, therefore, received \$94.00, the difference
21 between this figure and the \$100.00, even though the
22 borrower is being charged interest on \$100.00. The main
23 problem here, however, is the fact that during the year
24 the borrower repays at the rate of approximately \$8.33
25 per month. At the end of the first six months, there-
26 fore, the investment of the bank is reduced almost in
27 half, and towards the end of the term the investment of
28 the lender has been almost liquidated. Nevertheless,
29 interest has really been charged on the full amount of
30



1 the loan, when it might have, or should have, been
2 charged on the mean average amount outstanding over the
3 life of the loan. On this type of loan the rate is
4 therefore not 6%, but somewhere between 11% and 13% per
5 annum.

6 We point out that most individuals borrowing
7 from the bank assume, naturally enough, that the rate is
8 6% per annum.

9 The rates charged by acceptance companies are
10 equally difficult to decipher, and to a lesser extent
11 the same situation occurs with mortgage lenders and/or
12 mortgage brokers.

13 The Registrar of mortgage brokers reports two
14 to four complaints monthly, mainly about two or three
15 brokers. These complaints deal with the misquotation of
16 interest rates, and the making of additional charges
17 such as bonuses, discounts, high legal fees, inspection
18 fees, etc., which tend to obscure the true rate of
19 interest on the loan.

20 I am going to make an example of a bonus
21 mortgage. In the example of a bonus mortgage that we've
22 heard a lot about, a mortgage is granted for \$10,000.00,
23 for which the borrower receives \$9,000.00, and pays
24 interest at the rate of 7% per annum. This would indi-
25 cate a discount on the ten thousand of 10%. On the
26 \$9,000.00 however, the bonus is equal to 11.1%. And this
27 is the true percentage of bonus because the charges must
28 be calculated on the amount of money advanced. This
29 \$1,000.00 discount or bonus, would increase the rate of
30 the loan from 7% per annum to approximately 12½% per



the loan, when it might have, or might have, been
charged on the same average amount of borrowing over the
life of the loan. In this type of loan the rate is
therefore not flat, but somewhere between 1 1/2 and 1 3/4 per
annum.
We cannot say that these rates are necessarily
from the bank's point of view, but the rate is
flat per annum.
The rates charged by acceptance companies are
usually difficult to decipher, and so a lesser extent
the same situation occurs with mortgage lenders and/or
mortgage companies.
The Bankruptcy of mortgage products requires two
to four calculations monthly, mainly about two or three
times. These calculations deal with the calculation of
interest rates, and the making of additional charges
such as bonuses, discounts, etc. In fact, the calculation
is not, and which has to be done for the whole of the
interest on the loan.
I am going to give an example of a house
mortgage. It is the example of a house mortgage that we've
heard a lot about, a mortgage is worth \$10,000.00.
The value of the house was \$1,000.00, and the
interest at the rate of 7 1/2 per annum. This would mean
a discount on the net amount of \$100. On the
\$1,000.00 however, the house is worth \$1,100. And this
is the true percentage of house because the house price
is calculated on the amount of money advanced. This
\$1,000.00 statement or bonus, would increase the rate of
the loan from 7 1/2 per annum to approximately 8 1/2 per



1 annum if the loan were granted for a period of one year,
2 with the repayment of only the \$1,000.00 bonus during
3 the year, and the balance then falling due.

4 To give you some other examples of the effect
5 of this \$1,000.00 bonus or discount, if the loan were
6 for a period of 5 years and during that five years again
7 only the \$1,000.00 bonus or discount was repaid,
8 together with interest at 7% per annum, then the
9 effective rate would be approximately $9\frac{1}{4}\%$ per annum. On
10 a ten-year basis, this would be reduced to approximately
11 $8\frac{1}{16}\%$ per annum. By the same token on a one-year
12 basis, if the entire loan is amortized or paid off during
13 the course of the year, the effective yield would be
14 approximately 27% per annum, and on a five-year basis it
15 would be 11% per annum. And on and on it goes in just
16 about all types of financing, with the public being the
17 goat.

18 In one respect, the situation that exists
19 today in lending would make anyone involved in the
20 mortgage business feel as if he was being discriminated
21 against. With a few exceptions, the law of the land
22 says that mortgages are the only money contract that
23 the average consumer ever sees wherein the interest rate
24 must be stated clearly. We don't object to this. We
25 believe that more than the interest rate should be
26 stated.

27 It occurs to us that the only reason a
28 finance company, bank, or mortgage broker, or anyone else
29 advancing funds to a borrower would not disclose the
30



known to the lender for a period of one year
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of this \$1,000.00 bonus on discount, if the loan were
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together with interest at 7% per annum, then the
effective rate would be approximately 8 1/2% per annum. On
a ten-year basis, this would be reduced to approximately
8 1/4% per annum. By the same token on a one-year
basis, if the entire loan is amortized or paid off during
the course of the year, the effective yield would be
approximately 8 1/2% per annum, and on a five-year basis it
would be 1 1/2% per annum. And on and on it goes in just
about all types of financing, with the public being the
loser.

In one respect, the situation that exists
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lending funds to a borrower would not disclose the



1 actual cost of the money to the borrower is that the cost
2 is so high as to be prohibitive and the lender would then
3 feel that the loan would not be made. He would feel that
4 the consumer or borrower would back-off, horrified.

5 That's the digression part of it - now I'll
6 talk about mortgage brokerage.

7 Mortgage brokerage practices. We point out
8 that a property owner who requires second mortgage
9 financing has many avenues to explore. He may consult
10 his solicitor, who may be in a position to assist, but
11 more than likely the solicitor will refer the property
12 owner to one or more reputable mortgage brokers, for
13 competitive quotations. Or the property owner may pick
14 up the Yellow Pages or the daily papers and call any one
15 or number of a dozen mortgage brokers, in order to get a
16 competitive quotation. The property owner, if he is a
17 reasonable and sensible citizen will select the quotation
18 which is most competitive and will consult his solicitor
19 as a matter of course.

20 Now as for the gullible and naive who consti-
21 tute a very small minority, and for the unscrupulous
22 mortgage brokers who also constitute a very small
23 minority, it seems to me that no matter what governments,
24 the Better Business Bureau, associations such as the
25 Ontario Mortgage Brokers Association do, these people
26 continue to get into trouble and the solution is beyond
27 me.

28 Qualifications of a mortgage broker. Mortgage
29 brokers need a high level of knowledge in real estate
30 values, on residential, commercial and industrial



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21 the Better Business Bureau, associations such as the

22 Ontario Mortgage Brokers Association do, these people

23 continue to get into trouble and the solution is beyond

24 me.



1 properties. They must be competent appraisers and must
2 have a knowledge of the money market in regard to
3 mortgages which will be advantageous to their clients.
4 Many mortgage brokers have had many years of real estate
5 experience.

6 In return for his fee, the mortgage broker
7 performs the following services: There are others, but,
8 number one the inspection and appraisal of the
9 property to determine its market value. Number two, the
10 consultation and advice to the borrower as to the most
11 economical financing arrangements available. Number
12 three, to arrange a mortgage or mortgages for the
13 applicant, through a convention first mortgage company
14 or by private funds, at the best rates available.
15 Number four, thoroughly explain to the applicant exactly
16 what he is getting and why. I might point out that
17 the broker's representative, in the arranging of the
18 loan, may take one or more investors through the
19 property. He may have to make four trips or three trips
20 or five trips to the property and I'm trying to explain
21 why there is a fee charged and what justification there
22 is for a fee.

23 Now, Commission -- there is one other para-
24 graph.

25 Many people have heard of the so-called
26 sharpies in this business and their malpractices, but
27 they have heard very little of the services provided for
28 clients by the hundreds of citizens of this Province who
29 happen to be mortgage brokers. It's not news that John
30



properties. They must be competent appraisers and must have a knowledge of the money market in regard to mortgages which will be advantageous to their clients. Many mortgage brokers have had many years of real estate experience.

In return for his fee, the mortgage broker performs the following services: Number one, the inspection and appraisal of the property to determine its market value. Number two, the consultation and advice to the borrower as to the most economical financing arrangements available. Number three, to arrange a mortgage or mortgages for the borrower. or by private funds, at the best rates available.

Number four, thoroughly explain to the applicant exactly what he is getting and why. I might point out that the broker's representative, in the arranging of the loan, may take one or more investors through the property. He may have to make four trips or five trips on five trips to the property and I'm trying to explain why there is a fee charged and what justification there is for a fee.

Now, Commission -- there is one other point. Many people have heard of the so-called "split" in this business and their misunderstanding, but they have heard very little of the services provided for clients by the hundreds of different individuals who happen to be mortgage brokers. It is not a new thing.



1 Doe, Mortgage Broker, refinanced James Smith's house so
2 that James Smith got a fair deal.

3 Commission charges by mortgage brokers. In
4 return for his services, the mortgage broker must be
5 paid fair compensation. Mortgage brokers in this Province
6 charge from 5% to 10% of the principal amount to be
7 advanced for arranging a second mortgage. The higher
8 commission rate is usually only charged in cases where
9 the loan is extremely difficult to arrange and requires
10 many long hours of work and specialized knowledge. Now
11 I'm speaking here of other more responsible mortgage
12 brokers. There -- in my opinion -- are others who
13 charge higher, or in some cases lower.

14 For arranging a first mortgage a broker may
15 receive a fee of from 1% to 5%, again depending upon
16 the amount of work involved, and the difficulty in
17 arranging the loan.

18 It is the practice in this Province that to --to
19 have the borrower pay all the costs of arranging a loan,
20 which means that the borrower will pay the lender's
21 legal costs, which are normally the $1\frac{1}{4}\%$ which is a
22 tariff set down by the Bar Association Law Society, $1\frac{1}{4}\%$
23 of the loan plus disbursements together with the
24 aforementioned brokerage fees, and in some cases an
25 inspection fee. The inspection fee is usually always
26 very nominal -- 15, 20 or 25 dollars when it's charged.

27 We point out something I suppose you've heard
28 a lot about this -- you know this better than I at this
29 point -- that the complaints made against mortgage
30



point -- that the commission was a small mortgage

a lot about this -- you know the house was I in this

We point out something I suppose you have heard

very nominal -- 10, 20 or 25 dollars when it is charged

transaction fee. The transaction fee is usually a small

amount mentioned mortgage fee, and in some cases an

of the loan plus arrangements together with the

debit set down by the Fair Association New York City, 10%

legal costs, which are usually the 10% which is a

which means that the borrower will pay the lender's

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Commission charged by mortgage brokers. In

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1 brokers have almost always been in regard to excessive
2 bonus or excessive brokerage fees.

3 Second mortgage rates. The per annum interest
4 rate charged on the average second mortgage is 12%.

5 Second mortgage rates may range from 9% to 18% per
6 annum, although we have heard from Mr. Simone of rates
7 as high as 37% per annum and even higher.

8 As we live in a free enterprise society,
9 wherein the cost of items is regulated by competition on
10 a free and open market, we suggest that under normal
11 circumstances the rates paid by the consumer for second
12 mortgage financing are fair and proper. We do not
13 suggest that certain reported interest charges made by
14 certain mortgage brokers and/or finance companies are
15 fair or proper, but we do suggest that if full disclosure
16 of the cost of money is made to the borrower and if we
17 can assume the borrower is able to read and write and
18 is of normal intelligence, a lot of our problems will
19 be quickly solved.

20 We were asked to give an outline of our
21 operation mainly, and not this foregoing information so--

22 Rosemont Investments Limited, our Company, has
23 the prime function of making mortgage loans on both
24 commercial and residential risks, the loans varying in
25 the length of time of their duration from 3 months to 5
26 years. We understand that you are concerned primarily
27 with residential risks, and therefore we will outline
28 our operation in this regard. As principals, Rosemont
29 Investments Limited, is primarily interested in those
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1 brokers have almost always been in receipt of information
2 bonus or excessive brokerage fees.
3 Second mortgage rates. The per annum interest
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5 Second mortgage rates may range from 10% to 15%
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27 with residential risks, and therefore we will outline
28 our operation in this regard. As previously mentioned,
29 Investment Limited, is primarily interested in those



1 mortgages that run for a term of from 1 to 5 years, and
2 those mortgages bear a yield of $8\frac{1}{2}\%$ to 13% per annum.
3 Therefore, Rosemont as a principal is presented primarily
4 with applications that are unacceptable for one reason
5 or another to a trust company or a life insurance company.
6 This may be caused by the borrower wanting a second
7 mortgage, or a mortgage on a type of property or in an
8 area not acceptable to the life companies or trust
9 companies, or a mortgage whose amount represents a higher
10 percentage of the purchase price or value of the property
11 than is generally acceptable.

12 The yield of $8\frac{1}{2}\%$ to 13% per annum is determined
13 by the amount of risk involved. This is done in the
14 same manner as one would weigh the difference between a
15 Government Bond and the Bond of a private industry. Each
16 case is studied, and the risks carefully evaluated. The
17 rate is then determined, and the rate quoted is usually
18 the lowest possible rate in relation to the risk because
19 of the immense competition in the field today. A
20 company such as ours can only remain in business as long
21 as it lends out money. In order to do this as an estab-
22 lished enterprise having already been a long time in
23 business, and planning to remain in business, two points
24 are always before us. The first is the if the rate
25 quoted is too high, the applicant shall not return to
26 sign the application. The second is if the rate is too
27 low, the Company cannot exist. Naturally, the cost of
28 funds to Rosemont Investments Limited is considerably
29 higher than the cost of funds to a company such as an



...that run for a term of from 1 to 5 years, and
those mortgages bear a yield of $8\frac{1}{2}\%$ to $13\frac{1}{2}\%$ per annum.
Therefore, Rosemont as a principal is presented primarily
with applications that are unacceptable for one reason
or another to a trust company or a life insurance company.
There may be caused by the borrower wanting a second
mortgage, or a mortgage on a type of property or in an
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1 insurance company that is investing its premium income
2 or a trust company that may be investing its deposit
3 account income on which very low rates, or comparably
4 low rates, of interest are paid.

5 In addition, our Company is very dependent on
6 repeat business, and this would be non-existent if the
7 initial transaction with the borrower were unfair.

8 In the course of this business of course, we
9 receive applications that are not acceptable to Rosemont
10 as principals because it may not fit into our portfolio,
11 or the borrower should not, because of his security, be
12 paying as much as our minimum rate, or the loan might be
13 too speculative for us.

14 In these cases our Company acts as agents for
15 other investors or insurance companies or trust companies.
16 When we are the agent of the insurance or trust company
17 we are normally paid a commission by the company, and
18 because of the little work involved in dealing with such
19 professional investors, the commission of such a company
20 which is normally 1% is sufficient to satisfy our costs.

21 In the event of a loan that cannot be placed
22 with an insurance or trust company, and with which we
23 are dealing with private investors, the necessity arises
24 of doing all the work normally done by the trust company
25 or insurance company, such as the taking of the appli-
26 cation, the appraisal of the property, the inspection of
27 the property with a prospective investor, and, of course,
28 the problem of dealing with a private individual rather
29 than a professional. It is for this reason that the
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1 fees of a broker normally on this type of loan amount
2 to 5%, and this cost is borne by the borrower. On a
3 smaller loan, as a matter of fact, the commission can be
4 such as to just barely cover overhead costs. On the
5 other hand, on larger loans often the commission is
6 reduced from the 5% figure, but on the average to make a
7 reasonable profit the responsible broker in order to do
8 a conscientious, proficient, and professional job would
9 of necessity have to charge a fee of 5%, in our opinion.

10 On page seven the top is a little incomplete.
11 I started out to say, just briefly, that there are three
12 ways the average person could borrow money -- three
13 cost levels. The cheapest would be a chartered bank
14 loan on a secured note at 6%, a loan on his life
15 insurance policy or first mortgage. The middle cost
16 of money would come from a credit union, a second
17 mortgage or the personal loan plans of the chartered
18 banks. And the highest cost money would come from
19 finance and acceptance companies. All of this is
20 assuming that mortgage brokers charge what is the
21 normal going market rate. This does not apply to
22 others.

23 Brokers attitudes. There are three attitudes
24 held by mortgage brokers. The first is that it's the
25 broker's duty and obligation to arrange for his client,
26 the borrower, a loan at the normal going market rate for
27 the type of loan. Another is that the broker offers the
28 applicant a rate of interest which may or may not be
29 higher than the market rate and if the applicant chooses
30 not to accept this offer and prefers to go elsewhere and



1 fees of a broker normally on this type of loan amount
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9 of necessity have to charge a fee of 5% in our opinion.
10 On page seven the fee is a little incomplete.
11 I started out to say, just briefly, that there are three
12 ways the average person could borrow money -- three
13 cost levels. The cheapest would be a so-called bank
14 loan on a secured note at 4%, a loan on the life
15 insurance policy or first mortgage. The middle cost
16 of money would come from a credit union, a second
17 mortgage or the personal loan plan of the otherwise
18 banks. And the highest cost money would come from
19 finance and acceptance companies. All of this is
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21 normal going market rate. This does not apply to
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29 higher than the market rate and if the applicant chooses
30 not to accept this offer and prefers to go elsewhere



1 shop around, the broker doesn't mind. He says take it or
2 leave it, that's my rate. The third is the very small
3 minority who looks only for the innocent or naive type
4 who will believe almost anything he is told and take
5 almost anything offered.

6 Mortgage brokers, whether they are acting as
7 agents, or as principals, are in competition with
8 finance companies, banks, and all other lending agencies
9 that a property owner may use.

10 Finance companies in the mortgage business. In
11 the last 2 or 3 years there has been an entry into the
12 second mortgage field of many large finance companies.
13 Their rates are generally competitive with those of
14 mortgage brokers, and I might point out, usually at or
15 slightly above the rate charged by a mortgage broker.
16 The finance company has one pegged rate that they charge
17 on a second mortgage. This might be 13%. If the property
18 owner wishes to borrow by way of a second mortgage loan
19 and he happens to be entitled to a loan at 9% because of
20 the security offered, he pays 13%, because that is the
21 rate of the company. There is no misrepresentation, of
22 course -- they are told exactly what they are paying on
23 a mortgage. A mortgage broker can determine what the
24 rate should be in his experience and judgment and
25 arrange for the loan for his client at a lower rate if
26 justified.

27 We suggest that if the finance companies were
28 to take over the mortgage business entirely in regards
29 to second mortgages, and corner the market so to speak,
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28 to take over the mortgage business entirely in regard
29 to second mortgages, and corner the market so to speak,



1 that the rates would then not remain so competitive. At
2 the present time if the finance company wants to make a
3 loan they must compete with mortgage brokers and other
4 agencies.

5 In closing, we believe that the borrower is
6 entitled to know how much interest he is paying and that
7 this should be expressed in one simple interest rate
8 rather than in a dollar amount. In dollars and cents,
9 the borrower is not given a clear-cut picture, because
10 the rate is so dependent on the repayment programme and
11 the length of time for which the loan is granted. The
12 problem, of course, has been to come up with some formula
13 that is acceptable to all lending agencies, and that is
14 reasonably easy to calculate, and simple enough to be
15 understandable by the borrower, and still be accurate.
16 That's a tough problem, believe me. We use such a formula
17 in the conduct of our business, but even the formula
18 that we use as professionals is complex enough that it
19 has to be done by calculator and it is not completely
20 accurate, but it serves to be close enough and is par-
21 ticularly useful to us as a comparative guide from loan
22 to loan.

23 We feel very strongly that all lending agencies,
24 be it under Federal or Provincial jurisdiction, should
25 be charged with the responsibility of giving the borrower
26 the price of his service so that the actual yield to the
27 lender is disclosed to the borrower in a manner so clear
28 that the borrower can compare and shop around with the
29 quotation.
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1 I have a few other lengthy remarks -- very
2 short actually -- in regard to the -- I don't know if
3 the Committee is familiar with the Statement of Mortgage
4 form? This was brought out in July 1st, 1960. It was a
5 beautiful, clear, simple form. It's been amended. It's
6 not quite so simple. For a person with the old form,
7 anyone that could do arithmetic could tell exactly what
8 they were getting. There was no possibility, if they
9 read it, or if it was read to them, that they could
10 misunderstand anything. The new form is more closely
11 printed and there is more to it. It may be a little
12 harder for the average person who is not involved in
13 this type of work to understand. Clause #4 in this
14 new, amended Statement of Mortgage says that the
15 minimum annual rate of interest on this mortgage is
16 such and such a percent. It says "this rate will be
17 higher than the rate shown below in item 5 whenever
18 there is a bonus charged." In the letter that we
19 received, and all brokers received, from the Department
20 of Insurance on June 1st, 1963, at the bottom we were
21 asked -- shown a way or method to calculate this interest
22 where there is a bonus, and the calculation -- the sum
23 total of what was said -- was that the interest rate
24 was 12.4%. The method used is a very simple one. It
25 is arithmetic and it is the Department's idea to at
26 least indicate to the borrower that he is not paying
27 7%, he is paying more.

28 Now this is too bad in a way because it is
29 like a little bit of knowledge is a dangerous thing.



I have a few other lengthy remarks -- very short actually -- in regard to the -- I don't know if the Committee is familiar with the Statement of Mortgage form? That was brought out in July last, 1960. It was a beautiful, clear, simple form. It's been amended. It's not quite so simple. For a person with the old form, anyone that could do arithmetic could tell exactly what they were getting. There was no possibility, all they read it, or if it was read to them, that they could misunderstand anything. The new form is much less clearly printed and there is more to it. It may be a little harder for the average person who is not involved in this type of work to understand. Clause 44 in this new, amended Statement of Mortgage says that the minimum annual rate of interest on this mortgage is such and such a percent. It says "this rate will be higher than the rate shown below in item 5 whenever there is a bonus charged." In the letter that we received, and all brokers received, from the Department of Insurance on June last, 1963, at the bottom we were asked -- shown a way or method to calculate this interest where there is a bonus, and the calculation -- the sum total of what was said -- was that the interest rate was 12.4%. The method used is a very simple one. It is arithmetic and it is the Department's idea to at least indicate to the borrower that he is not paying 7%, he is paying more.

Now this is too bad in a way because it is like a little bit of knowledge is a dangerous thing.



1 I can show you where this loan could return 17 or 18 or
2 even 20 percent, calculating this the same way, using
3 exactly the same figures except one year term, two year
4 term, five year term. According to these figures there
5 is no repayment. If the loan was fully repaid over the
6 term of five years the return would be something like
7 17.4 -- 16.4% instead of 12.4%. I submit that we are
8 not really telling people too much when we tell them
9 the loan is 12.4 when it might really be 17.4. I
10 would respectfully submit that it might be a good idea
11 to have a group of actuaries -- and they are the only
12 people I think who can do it -- decide or find some
13 method that can be short, clear, precise -- within 2%
14 per annum, or even closer than that. The present set-up
15 just won't -- in my opinion it will mislead people --
16 it's a licence to mislead. That's it. Thank you.

17 MR. SEDGWICK: I only have one or two
18 questions, Mr. Baillie. I'm sure the Chairman is
19 grateful to you. You spoke about the high risk of
20 second mortgages. Are there any corrected figures as
21 to the mortality -- how many are not paid or not paid
22 in full?

23 MR. BAILLIE: I am not aware of any official
24 statistics, Mr. Sedgwick. I don't think the percentage
25 is very high. Very, very low, in this country.

26 MR. SEDGWICK: Well that doubt was in my mind.

27 MR. BAILLIE: Right.

28 MR. SEDGWICK: So that the risk is more
29 hypothetical than real?
30

I can show you where this loan could remain 17 or 18 or even 20 percent, calculating this the same way, using exactly the same figures except one year term, two year term, three year term, etc. If the loan was fully repaid over the term of five years the return would be something like 14.4 -- 15.4 instead of 12.4. I submit that we are not really selling people too much when we tell them

the loan is 12.4 when it might really be 14.4. I would respectfully submit that it might be a good idea to have a group of actuaries -- and they are the only people I think who can do it -- decide on finding some method that can be short, clean, precise -- within 2% per annum, or even closer than that. The present set-up just won't -- in my opinion it will mislead people --

MR. SHAW: I only have one or two questions, Mr. Ballin. It is one of the things that you spoke about the high rate of second mortgages. Are there any companies engaged in to the mortality -- how many are not paid or not paid in full?

MR. BALLIN: I am not aware of any official statistics, Mr. Shaw. I don't think the percentage is very high. Very, very low, in this country.

MR. SHAW: Well, that doesn't add to my mind. MR. BALLIN: Right.

MR. SHAW: So that the rate is more hypothetical than real?



1 MR. BAILLIE: At the moment, yes. The problem
2 arose, if I can -- after the war property jumped up from
3 where a \$3,500.00 house was worth nine or ten thousand
4 dollars and people were pretty leery. This situation
5 has existed, I might point out, for the whole century.
6 There are some discount mortgages and bonus mortgages
7 in this City at least since 1906 that I know of -- not
8 from personal experience but from lawyers' and clients'
9 information. The deficiency ratio -- the loss ratio
10 would be very low. But it's there -- I mean it can --
11 with a stock the same situation would exist.

12 MR. SEDGWICK: So that there's a bull market
13 that's negligible?

14 MR. BAILLIE: Yes.

15 MR. SEDGWICK: In a depressed market it may
16 be real?

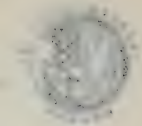
17 MR. BAILLIE: Yes. The risk is that the loan
18 might be for five or ten years and no one can foretell
19 the future. If you could, you could loan the money at
20 3% and make a darn good profit.

21 MR. SEDGWICK: We had some evidence yesterday
22 as to this practice of telephoning prospects by taking
23 their names out of the telephone book. Is that usual
24 in the four leaf clover business?

25 MR. BAILLIE: To my knowledge I have only
26 heard of this one fellow doing it.

27 MR. SEDGWICK: I see. Your firm doesn't do it?

28 MR. BAILLIE: No. We do very little adver-
29 tising. I don't think there is anything wrong with
30



MR. HALLIDAY: At the moment, yes. The problem arose, if I can -- after the war property jumped up there where a \$3,500.00 house was worth after ten thousand dollars and people were pretty lucky. This situation has existed, I might point out, for the whole century. There are some thousands of people and some thousands in this city at least since 1900 that I know of -- not from personal experience but from newspaper and other information. The deficiency ratio -- the loss ratio -- would be very low. But it is there -- I mean it can -- with a stock the same situation would exist.

MR. SPOONER: So that there is a real market for the negotiable? MR. HALLIDAY: In a depressed market it may be itself.

MR. HALLIDAY: Yes. The risk is that the loan might be for five or ten years and no one can "turn" the future. If you could, you could turn the money or we and make a damn good profit. MR. SPOONER: We had some evidence yesterday as to this practice of telephoning prospects by saying their names one of the telephone boys. It was done in the form of a very courteous.

MR. HALLIDAY: As my knowledge, I have only heard of this one thing being done. MR. SPOONER: I see. You don't seem to do this. MR. HALLIDAY: No. We do very little of this kind of thing. I don't think there is anything wrong with it.



1 telephone solicitation necessarily, if it's done on a
2 reasonable basis. Any type of advertising can be
3 abused.

4 MR. SEDGWICK: Does your company -- do I take
5 it you use your own funds -- that is --

6 MR. BAILLIE: Primarily, Mr. Sedgwick, yes.

7 MR. SEDGWICK: And when you find them always
8 that is of a higher type than appeals to you, you pass
9 it on to a trust company or loan company, and in that
10 case the borrower pays no fee at all; is that right?

11 MR. BAILLIE: As long as the -- there are
12 some trust companies who don't pay a lender's fee, but
13 normally --

14 MR. SEDGWICK: But he pays you 1% -- that is
15 your complete remuneration?

16 MR. BAILLIE: Yes.

17 MR. SEDGWICK: That's all I wanted to ask.

18 MR. IRWIN: Mr. Baillie, I have two or three
19 questions. Where and how and in what manner are the
20 mortgage funds assembled? We have had a number of
21 witnesses and some say, "Well, I have contacts with
22 lawyers or other people, and we sometimes use our own
23 funds", and now you are saying you use your own funds.
24 What are the methods of assembling this pool of money
25 to be available to be loaned out?

26 MR. BAILLIE: Well, through normal channels
27 the Company has a considerable amount of money itself
28 and has considerable line of credit at the bank. We
29 have -- with the other loans which we don't take
30



telephone solicitation necessarily, if it is done on a
reasonable basis. Any type of advertising can be

MR. BELMONT: Does your company -- do I take
it you use your own funds -- your own --

MR. BELMONT: And when you find these things
that is of a higher type than appears to you, you pass
it on to a trust company or loan company, and in that
case the borrower pays no fee at all, is that right?

MR. BELMONT: As long as the -- there are
some trust companies who don't pay a fee, but
normally --

MR. BELMONT: But he pays you 15 -- that is
your complete remuneration.

MR. BELMONT: Yes.

MR. BELMONT: That's all I wanted to ask.

MR. BELMONT: Mr. Bell, I have two or three

questions. Where did you and in which name are the

mortgage funds assembled? We have had a number of

witnesses and some say, "Well, I have contacts with

lawyers or other people, and we sometimes use our own

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the Company has a considerable amount of money itself

and has considerable line of credit at the bank. We

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1 ourselves -- we, as I said, contact private people. I
2 have a list of several thousand people investing in
3 second mortgages in the city. I might point out too
4 that I have a postman, TTC conductor, etc. Most of the
5 people are not wealthy people who invest in these
6 things. They are middle income people who are either
7 retired or about to retire and choose to put certain
8 of their money into second mortgages or such type of
9 investment.

10 MR. IRWIN: Would such a person -- supposing
11 they have assembled ten thousand dollars of life
12 savings, they might come to you because your firm was
13 recommended and they tell you, "I've got ten thousand
14 dollars. If you see something good will you look into
15 it?"

16 MR. BAILLIE: Right, correct, that can happen,
17 and does happen, yes.

18 MR. IRWIN: Would you say this is a major
19 method of assembling money?

20 MR. BAILLIE: No. Well, you see, we have the
21 two categories where we act as principals. Where we
22 act as principals this is not of any importance, but
23 where we act as agents it's a major method. A solicitor
24 or someone in a trust company or a friend or a client
25 that we have dealt with for some years might recommend
26 us to someone.

27 MR. IRWIN: If I had some money I might go
28 to you and say, "Put me in -- arrange something--

29 MR. BAILLIE: Yes, right, yes.

ourselves -- we, as I said, contact private people. I have a list of several thousand people investing in second mortgages in the city. I think point out to that I have a postman, the neighborhood, and. Most of the people are not wealthy people who invest in these things. They are middle income people who are either retired or about to retire and choose to put certain of their money into second mortgages of such type or

INTERVIEW:

MR. TWIN: Would such a person -- supposing they have assembled ten thousand dollars of this savings, they might come to you because your firm was recommended and they tell you, "I've got ten thousand dollars. If you see something good will you look into it?"

MR. BAILLIE: Right, correct, that was the way, and does happen, yes.

MR. TWIN: Would you see that in a major method of assembling money?

MR. BAILLIE: No. Well, you see we have the two categories where we get no prime loans. Where we act as principals with a lot of any department, but where we act as agents it's a regular matter. A corporation or someone in a trust company or a bank or a oil company we have dealt with for some years might recommend us to someone.

MR. TWIN: If I had some money I might go to you and say, "Put me in -- certainly, certainly."

MR. BAILLIE: Yes, that's right.



1 MR. IRWIN: Would you charge me a fee?

2 MR. BAILLIE: No. This is not the practice.
3 I think it's unfair. The practice should be to have
4 the investor pay something but this has been going on
5 since long before I was thought of that the borrower
6 pays all costs, the lender pays nothing.

7 MR. IRWIN: Do you -- I don't know if this
8 goes beyond duty -- do you sell bonds, for instance?

9 MR. BAILLIE: No. We are a private company.

10 MR. IRWIN: Well, that's one series of
11 questions. Touching on the same thing Mr. Sedgwick
12 touched on -- you gave a very good explanation of the
13 matter that I was trying to pin down yesterday in
14 another connection -- that it seems to be the accepted
15 pattern that a charge -- a brokerage charge -- is
16 greater in the case of second mortgage than in the case
17 of a first mortgage and the reason given in all cases
18 is that it was greater risk. And yet this other person
19 has admitted -- and you more or less admit -- that
20 actually there is no information there is greater risk.

21 MR. BAILLIE: Well, there is information. Now,
22 for an example, on a stock that is listed on the Toronto
23 Stock Exchange you can, I understand, get very --
24 reasonably high yields on some of the better stocks
25 depending on the timing and so on. And yet there is
26 very little risk except in 1930 there was quite a risk
27 and this is always uppermost in any investor's mind.
28 They don't go in for a month or a year usually. They
29 are in for five years, sometimes seven or eight or ten
30



MR. LITTLE: Would you change no 2?

MR. LITTLE: No. This is not the practice.

I think it's unfair. The practice should be to have the investor pay something but that has been going on since long before I was thought of that the borrower pays all costs, the lender pays nothing.

MR. LITTLE: Do you -- I don't know if that goes beyond duty -- to get self bonded for insurance?

MR. LITTLE: No. We are a private company.

MR. LITTLE: Well, there's one series of

questions. Tomorrow on the same thing Mr. Little touched on -- you gave a very good explanation of the matter that I was trying to get down yesterday in another connection -- that it seems to be the accepted pattern that a change -- a brokerage charge -- is greater in the case of second mortgage than in the case of a first mortgage and the reason given up all cases is that it was greater risk. And yet this same person has admitted -- and you more or less admit -- that actually there is no information there is greater risk.

MR. LITTLE: Well, there is information. You for an example, on a book that is listed on the Toronto Stock Exchange you can, I understand, get very -- reasonably high yields on some of the better stocks depending on the timing and so on. And yet there is very little risk except in 1930 there was quite a risk and this is always apparent in any investor's mind. They don't go in for a month or a year usually. They are in for five years, sometimes seven or eight or ten



1 years. And they -- you've got to recognize that property
2 did go down once before and the economy has, over many
3 years, gone like this and there is no reason to believe
4 it is going to stop now. We don't know this but --

5 MR. IRWIN: From an accounting point of view,
6 assuming that there is a potential or long-term cyclical
7 risk in regard to a second mortgage and therefore you
8 are entitled to charge an extra rate fee -- on accounting
9 lines do you set aside as a reserve for losses a portion
10 of this extra charge?

11 MR. BAILLIE: Well, in our own case, as a
12 private company, as private investors, we have our
13 own systems for such matters, but under normal circum-
14 stances I don't -- if we were a public company we would
15 naturally have to do this -- as a private company owned
16 by ourselves, we conduct our business in whichever way
17 we can within the law, of course, of common sense. We
18 set aside certain reserves and certain other investments.

19 MR. IRWIN: It isn't necessarily this
20 difference of 5% on a first and 10% on a second for a
21 fee?

22 MR. BAILLIE: No.

23 MR. IRWIN: How long has Rosemont been in
24 business? You seem to refer to substantial history --

25 MR. BAILLIE: Well, substantial history to
26 us -- you see I'm 32 -- I've been in this business
27 since I was 21 so to me this is a long time and my
28 partner is the same age and he has been in the business
29 for the same length of time.



years. And they -- you've got to recognize that property
did go down once before and the economy has, over many
years, gone like this and there is no reason to believe
it is going to stop now. We don't know that but --
MR. IRWIN: From an accounting point of view,

assuming that there is a potential or long-term capital
risk in regard to a second mortgage and therefore you
are entitled to charge an extra rate fee -- an accounting
lines do you set aside as a reserve for losses a portion
of this extra charge?

MR. BAILEY: Well, in our own case, as a
private company, as private investors, we have our
own systems for such matters, but when we're talking
about I don't -- if we were a public company we would
naturally have to do what -- as a private company, we
by ourselves, we conduct our business in whatever way
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MR. IRWIN: It isn't necessarily that
difference of 5% on a first and 10% on a second for a
year?

MR. BAILEY: No.

MR. IRWIN: How long has Belmont been in
business? You seem to refer to substantial history --

MR. BAILEY: Well, substantial history as
as -- you see I'm 32 -- I've been in the business
since I was 21 so to me this is a long time and my
partner is the same age and he has been in the business
for the same length of time.



1 MR. IRWIN: You spoke of having your own
2 formula for the calculation of an effective rate of
3 interest. I wonder if I could have that, at any rate?

4 MR. BAILLIE: Sure. I don't have it with
5 me and I can't quote it from memory, but I would be
6 glad to send it to you, sir.

7 MR. IRWIN: Send it to Mrs. Dell.

8 MR. BAILLIE: Mrs. Dell, yes.

9 MR. IRWIN: And to Mr. Price, the Chairman.
10 There are so many of these formulas --

11 MR. BAILLIE: I know.

12 MR. IRWIN: It's interesting to collect them
13 all to see which one is the closest to the accurate
14 method of --

15 MR. BAILLIE: The problem with any of these
16 formulas is that they can't possibly be as adaptable
17 as they need to be to cover every possible transaction.
18 They can go out --

19 MR. IRWIN: Yes, they can.

20 MR. BAILLIE: There are checks --

21 MR. IRWIN: The higher the rate of interest
22 per annum, the more out they will be.

23 MR. BAILLIE: Right. Well, we're not worried
24 too much about it. I imagine up around 40% it would
25 really be out.

26 MR. IRWIN: When you're down around --

27 MR. BAILLIE: Ten or twelve there isn't too
28 much.

29 MR. IRWIN: Ten or twelve percent there isn't
30



MR. IRWIN: Not spoke of having your own

formula for the calculation of an effective rate of

interest. I wonder if I could have that, at any rate.

MR. BAILEY: Sure. I don't give it with

me and I can't give it from memory, but I would be

glad to send it to you, sir.

MR. IRWIN: Thank you very much.

MR. BAILEY: Yes, Sir.

MR. IRWIN: And to Mr. Bailey, the Chairman.

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MR. IRWIN: Yes, they can.

MR. BAILEY: These are the ones --

MR. IRWIN: The higher the rate of interest

per annum, the more out they will be.

MR. BAILEY: Right. Well, we're not worried

too much about it. I imagine you would not be either.

Really be out.

MR. IRWIN: When you're down around --

MR. BAILEY: Not at all, we're not worried

much.

MR. IRWIN: Then on Tuesday we shall have the



1 much of a variation. One other question. You referred
2 to the change in the Statement of Mortgage form in
3 which, in paragraph 4 if I recall, required a statement
4 of the minimum rate of interest?

5 MR. BAILLIE: Correct.

6 MR. IRWIN: There was a letter accompanying
7 that which gave a short parenthetical formula for the
8 determination of a minimum rate. I raised this
9 question earlier and I would like your further comment
10 on it. The information is required and the Statement
11 of Mortgage form actually gives all the information
12 necessary for the determination of an effective rate on
13 one of these short-cut formulas?

14 MR. BAILLIE: Yes. It's not a very effective
15 method.

16 MR. IRWIN: Pardon?

17 MR. BAILLIE: It's not a very effective
18 method. It's a method.

19 MR. IRWIN: But it would be close? It would
20 be within 1%?

21 MR. BAILLIE: No. The rate suggested here?

22 MR. IRWIN: No, no, no. On the form itself,
23 there is all the information necessary to --

24 MR. BAILLIE: Oh, yes, excuse me. Everything
25 pertinent to the transaction is clearly stated on the
26 form, right.

27 MR. IRWIN: This could be applied to a
28 formula which would give the effective rate?

29 MR. BAILLIE: You could take it to a good
30



much of a variation. One other question. You referred to the change in the statement of Mortgage form in which, in paragraph 4 it I recall, defined a statement of the minimum rate of interest.

There was a letter accompanying that which gave a short parenthetical formula for the determination of a minimum rate. I raised this question earlier and I would like your further comment on it. The information is required and the statement of Mortgage form actually gives all the information necessary for the determination of an effective rate in one of these short-cut formulas.

MR. BAILEY: Yes, it's not a very effective method.

MR. BAILEY: I don't know. It's not a very effective method. It's a method.

MR. BAILEY: But it would be close? It would be within 1%?

MR. BAILEY: No. The rate suggested here, MR. LINDEN: No, no, no, on the form itself,

there is all the information necessary to -- MR. BAILEY: Oh, yes, except me. I'm bringing

nothing to the transaction is clearly stated on the form, right?

MR. LINDEN: This could be applied to a formula which would give the effective rate?

MR. BAILEY: You could take it to a good



1 accountant or an actuary and they could figure out a
2 rate --

3 MR. IRWIN: Well, I think anybody with
4 elementary arithmetic could with a short-cut formula.

5 MR. BAILLIE: Well, you would be surprised.

6 MR. IRWIN: Especially the constant ratio
7 method.

8 MR. BAILLIE: It's possible -- once they are
9 aware of it.

10 MR. IRWIN: This would give you, instead of
11 your minimum rate, it would give you your effective
12 rate within a range of about the same; is that not
13 so?

14 MR. BAILLIE: Yes. As long as someone can
15 come up with a -- something else than this.

16 MR. IRWIN: Yes. This is too complicated to
17 be of any use. Thank you very much.

18 MR. SEDGWICK: I have one other question. I
19 suppose, Mr. Baillie, in fairness, there are two
20 basic reasons for the high second mortgage rate. One
21 is that the second mortgagee must always face the
22 possibility of having to protect himself against the
23 first mortgage; isn't that right?

24 MR. BAILLIE: Yes. And the taxes.

25 MR. SEDGWICK: He must protect himself.
26 Secondly, and I think you mentioned this, he lacks
27 liquidity, that is, he must wait out this five or
28 ten years, whereas in the case of a stock, a listed
29 stock, he has an immediate or constant market.

30



accountant or an auditor and they could figure out a

rate --

MR. IRWIN: Well, I think anybody with

elementary arithmetic could with a stopwatch determine

MR. RAILLIE: Well, you would be surprised.

MR. IRWIN: Especially the constant ratio

method.

MR. RAILLIE: It is possible -- once they are

aware of it.

MR. IRWIN: This would give you, instead of

your minimum rate, it would give you your effective

rate within a range of about two per cent; is that not

so?

MR. RAILLIE: Yes. As long as someone can

come up with a -- something like that.

MR. IRWIN: Yes. This is too complicated to

be of any use. Thank you very much.

MR. SHAWMUT: I have one other question. I

suppose, Mr. RAILLIE, in fairness, there are two

basic reasons for the high second mortgage rates. One

is that the second mortgagee must always face the

possibility of having to protect himself against the

first mortgagee.

MR. RAILLIE: Yes. And that's true.

MR. SHAWMUT: He must protect himself.

Secondly, and I think you mentioned this, he lacks

liquidity, that is, he must wait and this five or

ten years, whereas in the case of a stock, a listed

stock, he has an immediate or constant market.



1 MR. BAILLIE: Thank you.

2 MR. SEDGWICK: So if he is apprehensive he
3 can't sell out, as with a stock.

4 MR. BAILLIE: Right. He could sell out but
5 it would cost him.

6 MR. SEDGWICK: He might be able to sell out.
7 But if he was apprehensive so might all other second
8 mortgage lenders be apprehensive and you might have no
9 market at all.

10 MR. BAILLIE: Correct.

11 MR. SEDGWICK: Is there any regular trading
12 market for second mortgages? That is, if a mortgagee
13 has a reasonably good second mortgage and needs money,
14 is there a market on which he might sell the second
15 mortgage that's something like --

16 MR. BAILLIE: Not in any formal way such as
17 the Stock Exchange. Our Mortgage Brokers' Association
18 has visions of something like this ultimately, but the
19 only thing there is at the moment is a listing of some
20 members of the OMBA in the Yellow Pages and they could
21 check there. There is, I think, twelve or sixteen
22 companies mentioned. This is the only method -- or
23 their own Solicitor.

24 MR. SEDGWICK: And I suppose if you can sell
25 it you generally have to sell it at some discount?

26 MR. BAILLIE: Well, their yield would have
27 to be commensurate with the market yield at the time.

28 MR. SEDGWICK: But there is no general
29 market, no mortgage brokers' association operates any

MR. BAILLIE: Thank you.

MR. SEDGWICK: So if he is representative he

can't sell out, as with a stock.

MR. BAILLIE: Right. He could sell out but

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MR. SEDGWICK: He might be able to sell out

but if he was representative to market all open, second

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MR. SEDGWICK: And I suppose if you can sell

if you generally have to sell in the same direction?

MR. BAILLIE: Well, their would would have

to be commensurate with the market; well at the time

MR. SEDGWICK: But there is no general

market, no mortgage brokers' association or operators, any



1 market to which a second mortgagee could resort if
2 he needed money?

3 MR. BAILLIE: Not in the sense -- I think,
4 if you mean for example along the lines of a Stock
5 Exchange --

6 MR. SEDGWICK: Nothing of that kind?

7 MR. BAILLIE: No, no sir.

8 MR. SEDGWICK: So you must just search to
9 find your market through individual brokers?

10 MR. BAILLIE: Correct. We have a co-operative
11 system but it's in its infancy and it's not too
12 effective at the moment.

13 MR. SEDGWICK: Thank you.

14 MR. IRWIN: Pursuing Mr. Sedgwick's thought
15 there, which is one I had in the back of my mind in
16 my practice as an accountant dealing with house
17 builders. They often have occasions to take back a
18 second mortgage and then they dispose of them. But I
19 fail to detect any pattern in this selling the second
20 mortgage and I was curious too as to who rigs this
21 market for dealing in second mortgages. Is it just
22 over the telephone? Is there some agency or a particu-
23 lar number of mortgage brokers who specialize in
24 shopping for these second mortgages, collecting them
25 and transferring them to other buyers of them?

26 MR. BAILLIE: There are in the second
27 mortgage financing -- there is nothing like this. There
28 are companies large and small involved, but the method
29 of determining what the discount is, is the type of
30



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MR. BAILLIE: There are a few ...

mortgage financing -- there is nothing like that. There

are companies large and small involved, but the method

of determining what the discount is, is the type of



1 property, the --

2 MR. IRWIN: I wasn't concerned with that.

3 I know that would be an individual calculation on the
4 part of the mortgage broker when he sees the actual
5 mortgage and finds an eventual buyer. But I was
6 thinking of the mechanics of assembling the --

7 MR. BAILLIE: Block of seconds, you mean?

8 MR. IRWIN: Yes.

9 MR. BAILLIE: Well, this has been done --

10 MR. IRWIN: Is it run like an over-the-counter
11 market in the Stock Exchange where you just --

12 MR. BAILLIE: Yes. We've run into builders
13 who would come to us with a stock of one hundred
14 thousand or fifty thousand dollars worth of mortgages
15 that they held and they say, "We want a quotation",
16 which then we proceed to appraise the properties and
17 get an offer.

18 MR. IRWIN: I see.

19 MR. BAILLIE: This sort of thing does happen.

20 MR. IRWIN: I see.

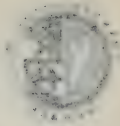
21 MR. MACDONALD: This is essentially the same
22 as any second mortgage?

23 MR. BAILLIE: Yes.

24 MR. MACDONALD: I mean the reselling or the
25 discounting of an existing second mortgage and getting
26 the money for it is really just an individual seeking of
27 it out?

28 MR. BAILLIE: Yes, at the moment this is
29 practiced. It's a matter of shopping. People talk

30



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2
3 I know that would be an individual calculation on the
4 part of the mortgage broker when he sees the actual
5 mortgage and finds an eventual buyer. But I was
6 thinking of the mechanics of assembling the --
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1 about going shopping for a suit or -- they shop until
2 they find something that satisfies them at a price
3 that they feel is fair and this we recommend that
4 people do whether they own a first or a second mortgage.
5 There are lots of avenues to shop through.

6 MR. MACDONALD: So if a person had a second
7 mortgage on a house that they had sold that they
8 wanted to realize in cash they would simply go down
9 the Yellow Pages until they found somebody, somewhere,
10 who said, "Well, I'll take that at a discount of
11 25% , or 20%, or 15%", and he will take the best
12 deal offered by shopping it that way?

13 MR. BALLIE: Correct. This is recommended
14 in any commodity.

15 MR. MACDONALD: I'm not being critical.

16 MR. BAILLIE: No, I understand. It's a
17 recent development too. A couple or three years ago
18 people didn't do this. They would call a mortgage
19 broker or their lawyer or someone as if this was the
20 end of the world. Today they shop around and they
21 shop around pretty well. Sometimes you will get a
22 call three months later -- you keep a record of them --
23 and sometimes three months later they call and say,
24 "I've decided now I want to go ahead and have the
25 money".

26 MR. IRWIN: That thought occurs to me, Mr.
27 Chairman, as it did yesterday. I don't know whether
28 it's the proper place for this Committee or a proper
29 question, but it strikes me that some piece of literature
30



about going shopping for a suit or -- they shop until they find something that satisfies them at a price that they feel is fair and this we recommend that people do whether they own a first or a second mortgage. There are lots of avenues to shop through.

MR. WASHINGTON: So if a person had a second

mortgage on a house what they had sold that they wanted to realize in cash they would simply go down the Yellow Pages until they found somebody, someone, who said, "Well, I'll take that at a discount of 25%, or 20%, or 15%", and he will take the best deal offered by shopping it that way?

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Chairman, as it did yesterday. I don't know whether it's the proper place for this Committee or a proper

question, but it strikes me that some piece of legislation



1 has generally circulated among the population
2 describing this. For instance you say two or three
3 years ago they didn't, now they do because people are
4 learning the roots. If people knew the roots -- in
5 other words around the refinancing market -- you
6 would probably accomplish a great deal.

7 THE CHAIRMAN: Does your association put
8 any literature out?

9 MR. BAILLIE: We would like to. We have had
10 plans for the last three years. We have so many things
11 to do, that we spent a lot of money the last three
12 or four years, and a lot of time. Unfortunately our
13 budget doesn't permit this but that is a very important
14 thing which we -- we've come into our fourth year
15 now and we've got to do something about the public's
16 information.

17 THE CHAIRMAN: Mr. MacDonald, do you have any
18 other questions?

19 MR. MACDONALD: Can I pursue the discussion
20 on the question of the business of a formula? In your
21 opinion, is it possible to get a simple formula that
22 can be --

23 MR. BAILLIE: No, sir. I don't know, Mr.
24 MacDonald. I'm not an actuary but as far as I can see,
25 no, I don't think there can be. There might be. I'm
26 not saying right, but in my slim arithmetical knowledge
27 I don't see any method that's going to be 100% accurate
28 in all cases.

29 MR. MACDONALD: Well, let's assume we start
30



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no, I don't think there can be. I am right, I'm

not saying right, but in my slim mathematical knowledge

I don't see any method that's going to be 100% accurate

in all cases.

MR. MACDONALD: Well, let's assume we start



1 from the premise that it was not necessarily 100%
2 accurate because I don't think this is really what we
3 want.

4 MR. BAILLIE: Well, Mr. Irwin mentioned the
5 one --

6 MR. MACDONALD: But given a 1% margin, say,
7 either way, is it then possible to come up with a
8 formula anybody with normal, basic arithmetical
9 knowledge would be able to do this calculation and not
10 be mislead? Without having somebody to do it for him?

11 MR. BAILLIE: The only problem is that a
12 lot of the people, be they even though intelligent
13 people that might be borrowing money, it seems that
14 once you get over a couple of hundred dollars there is
15 a bit of a mental block and they soon get the block
16 away which you -- you sort of open their thoughts to
17 it and try to -- once you explain it properly to them
18 then they clearly understand and there is no problem.
19 And if you are talking, it seems, to a lot of people of
20 one hundred dollars they know exactly what you are
21 talking about. When you are talking about ten thousand
22 or four thousand, sometimes they for some reason become
23 confused. It's not lack of intelligence, it's lack
24 of practice in this type of work.

25 MR. IRWIN: I would like to make this comment
26 -- I think I made it yesterday -- that I believe,
27 having looked into this somewhat over the years, it
28 is possible to develop a formula which can be worked
29 out in terms of multiplication and division without the
30



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MR. BAILLIE: Well, Mr. Tamm mentioned the

MR. MACDONALD: But given a 10 margin, say,

either way, is it then possible to come up with a

formula anybody with normal, basic arithmetical knowledge would be able to do this calculation and not be misled? Without having somebody to do it for him?

MR. BAILLIE: The only problem is that a

lot of the people, he they even though intelligent people that might be borrowing money, it seems that once you get over a couple of hundred dollars there is a bit of a mental block and they sort of stop the clock away which you -- you sort of open their thoughts to it and try to -- once you explain it properly to them then they clearly understand and there is no problem.

And if you are talking, it seems, to a lot of people of one hundred dollars they know exactly what you are talking about. When you are talking about ten thousand or four thousand, sometimes they for some reason become confused. It's not lack of intelligence, it's lack of practice in this type of work.

MR. Tamm: I would like to make this comment

-- I think I made it yesterday -- that I believe,

having looked into this somewhat over the years, it is possible to develop a formula which can be worked out in terms of multiplication and division without the



1 use of tables that would give a fairly approximate
2 result as to an effective rate of interest. I find
3 that in discussing the matter with my actuarial friends
4 that they say no it isn't possible, but you see if we
5 are content -- supposing the aim of legislation was
6 to be content with a range of 1% on either side of the
7 exact calculation, then this is possible. But if you
8 ask an actuary he will say, "No, I've got to have
9 stacks of tables and books and calculations and
10 calculators and formulas". As a yen, this is just,
11 this is sinful, we won't talk about it, you see,
12 developing a formula which you would consider an aid
13 in that factor. So in discussing it with actuaries
14 is barking up the wrong tree. Unless they can get
15 it down to the nearest five places of decimals then
16 it isn't accurate, you might as well forget about it.
17 It's not for me to say, but I think it is for the
18 Committee to consider what range of accuracy you are
19 talking about, what range they would be content with.
20 Given that, if you were to say to someone, even myself,
21 we are content with the range of accuracy of 2%, now
22 let's have a formula. I think that it can be done.

23 MR. BAILLIE: Well, this is my sentiment
24 quite frankly and I am curious to get your experience
25 on it.

26 MR. MACDONALD: IN this gathering together
27 of a pool of funds, what interest rates are normally
28 paid by a person who comes -- say on a second mortgage?

29 MR. BAILLIE: Well, in this instance, Mr.
30



use of tables that would give a fairly approximate result as to an effective rate of interest. I find that in discussing the matter with my statistical friends that they say no it isn't possible. But you see it is a constant -- suggesting the aim of legislation was to be content with a range of 10 or 15 per cent. Now if you exact calculation, then this is possible. Now if you ask an actuary he will say, "No I've got to have specifics of tables and books and calculations and calculators and formulas". As a year, this is just, this is stupid, we won't talk about it, you see. developing a formula which you would consider an aid to the factor. So in discussing it with actuaries is backing up the wrong way. Unless they can get it down to the nearest five pence of the whole thing it isn't accurate, you might as well forget about it. It's not for me to say, and I think it is for the Committee to consider what range of accuracy you are talking about, what range they would be content with. Given that, if you want to say to someone, even myself, we are content with the range of accuracy of 25, now let's have a formula. I think that it can be done.

MR. BAILEY: Well, this is my sentiment.

quite frankly and I am curious to get your experience on it.

MR. MACDONALD: In this category perhaps of a pool of funds, what interest rates are normally paid by a person who comes -- say on a second mortgage?

MR. BAILEY: Well, in this instance, Mr.



1 MacDonald, there is this division in our own company,
2 and most brokers are brokers in the simple sense that
3 they act as agents, they receive a commission. The
4 person who does lend the money gets the exact yield.
5 Now you have heard of cases here which, I understand,
6 aren't very pleasant, where this didn't happen, but
7 normally -- under normal circumstances -- the lender
8 gets the yield.

9 MR. MACDONALD: You, in effect, just put the
10 lender and the borrower together?

11 MR. BALLIE: Right.

12 MR. MACDONALD: But is there not another
13 practice of you pooling bits and pieces of money, so
14 to speak?

15 MR. BALLIE: Yes.

16 MR. MACDONALD: And then -- I presume then
17 you are acting as a principal? Are you --

18 MR. BALLIE: Normally in some companies, yes --
19 normally the investor would get about 1% less than the
20 yield on the mortgage. If it's a 12% mortgage the
21 investor might get 11. I know several companies who
22 do this type of thing and the investor is paid 1% less,
23 the company takes the other 1% as an administrative
24 fee more than anything.

25 MR. MACDONALD: So if the charge is 12 or 13,
26 he would be getting 10, say?

27 MR. BALLIE: The investor?

28 MR. MACDONALD: Yes.

29 MR. BALLIE: No, not usually. It can happen
30



...aid, there is this division in our own company,
and most brokers are brokers in the single sense that
they act as agents, they receive a commission. The
person who does lend the money gets the exact yield.
Now you have heard of cases here with, I understand,
aren't very pleasant, where this didn't happen, but
normally -- under normal circumstances -- the lender
gets the yield.

MR. MACDONALD: You, in effect, just put the
lender and the borrower together?

MR. MACDONALD: But in these two instances
practice of you pooling risks and placing of money, so
to speak?

MR. MACDONALD: And then -- I presume when
you are acting as a principal for you --

MR. BAILLIE: Normally in some connection, yes --
normally the investor would get about 12% less than the
yield on the mortgage. If it's a life mortgage the
investor might get 11. I know several companies who
do this type of thing and the investor is paid 12% less,
the company takes the other 12% as an administrative
fee more than anything.

MR. MACDONALD: So if the charge is 12 or 13,
he would be getting 10, say?

MR. BAILLIE: The investor?



1 that way, of course. I really -- the little experience
2 I've had with that sort of thing would be a 1%
3 variation or $1\frac{1}{2}$ possibly. The trust companies work
4 on a 2% between what they pay for money and what they
5 give for money.

6 MR. MACDONALD: How widespread is the
7 practice of advertising for people to come in?

8 MR. BALLIE: Very widespread.

9 MR. MACDONALD: Put your money in?

10 MR. BALLIE: Oh, no. This is not, this is
11 not allowed, of course. You have to be a public
12 company before you can advertise for people to put
13 their money into your company. You can advertise that
14 you have mortgages for sale, investments for sale which
15 the individual can purchase on his own.

16 MR. IRWIN: Well, this ad that I just had my
17 attention attracted to a few weeks ago. "Our assets
18 are over a million and a quarter. We offer you 8 to 10%
19 on your funds" and they go on to point out that they
20 are in good securities, home improvement and they their
21 average rate is 22% and this may seem high but a lot of
22 other people are higher etc., etc. Is this a very
23 widespread practice?

24 MR. BALLIE: It has become -- there are
25 several companies in this. This is a 360 day deal
26 where they don't come under the Securities Commission,
27 isn't it? Don't they return the money every year?
28 Is this the -- if they don't do that they must be
29 under the Securities Commission which takes them --
30



that way, of course. I really -- the little experience
I've had with that sort of thing would be a big
variation or a possibility. The first companies work
on a 25 between what they pay for money and what they
give for money.

MR. MACDONALD: How would you like to be the
practice of advertising for people to come in?

MR. MACDONALD: But your money isn't

MR. BARNES: Oh, no. This is not, this is

not allowed, of course. You have to be a public
company before you can advertise for people to put
their money into your company. You can advertise that
you have mortgages for sale, investments for sale which
the individual can purchase on his own.

MR. TRAVIS: Well, I think I just said

attention attracted to a few years ago. Our assets
are over a million and a quarter. We offer you 8 to 10%
on your funds" and they go on to point out that they
are in good securities, some improvement and they think
average rate is 10% and this may seem high but a lot of
other people are higher etc., etc. Is this a very

highly spread operation?

MR. BARNES: It has become -- there are

several companies in this. There is a 300 day deal
where they don't come under the Securities Commission,
isn't it? Don't they return the money every year?
Is this the -- if they don't do that they must be
under the Securities Commission where would they be?



1 MR. IRWIN: It doesn't say so. It says you
2 can get more information in the brochure and I haven't
3 got the brochure.

4 MR. BALLIE: Well, that's a matter for the --
5 Our company would be glad to sponsor a series of
6 educational articles in the papers. The Association
7 would be glad to do anything it can to educate people.
8 It's in our advantage. If we don't educate society,
9 if we don't treat people properly, eventually they will
10 do away with us.

11 MR. BELANGER: Mr. Chairman, this suggestion
12 of Mr. Baillie appeals to me. Everyone here that has
13 come before, and even those who apparently are not
14 considered by their colleagues to be in the forefront
15 of the profession of mortgage brokers, even they would
16 seem to welcome a statement to an effective approximate
17 rate of interest and everyone emphasizes the greatness
18 of competition. Competition is the big factor. Even
19 if the rates were published the competition would still
20 keep them down. In fact, drive them down further. It
21 almost seems the goal of almost a riotous campaign that
22 public education might achieve a great deal; is that
23 right?

24 MR. BAILLIE: I would think so. We had at
25 one time, about two years ago last January, two or three
26 years ago, four of us from our Mortgage Brokers'
27 Association spent a week with a fellow from the
28 Telegram and he had a series of articles -- one article
29 was the Do's and Don't's, what to do and what not to do,
30



MR. THOMAS: It doesn't say so. It says you
can get more information in the brochure and I haven't
got the brochure.

MR. BAILLIE: Well, that's a matter for the --

Our company would be glad to sponsor a series of
educational articles in the papers. The Association
would be glad to do anything it can to educate people.
It's in our advantage. If we don't educate society,
if we don't treat people properly, eventually they will
do away with us.

MR. BAILLIE: Yes, but what, this morning, the

of Mr. Baillie appeals to me. Everyone here that has

come before, and even those who apparently are not
considered by their colleagues to be in the forefront
of the profession of mortgage brokers, even they would
seem to welcome a statement to an effective approximation
rate of interest and everyone understands the great
of competition. Competition is the big factor. Even
if the rates were published the competition would still
keep them down. In fact, drive them down further. It
almost seems the goal of almost a national campaign that
public education might achieve a great deal: it that

MR. BAILLIE: I would talk to. We had at

one time, about two years ago last January, two or three
years ago, four of us from our firm (Messrs. Thomas,
Association spent a week with a fellow from the
Telegram and he had a series of articles -- one article
was the De's and Docks, what to do and what not to do.



1 etc., and a lot of people -- I think people are pretty
2 well -- they visualize the mortgage broker sometimes
3 as some kind of a huge spider that is going to pounce
4 on them. They might go somewhere else and pay 24%,
5 twice the rate of interest, because the other fellow
6 has good public relations but -- people do need to be
7 educated to this. I think if they are educated to this
8 they can make their free choice. Credit unions charge
9 1% per month, which is 12% to their members. They give
10 dividends in the Credit Union. It's wonderful -- saves
11 the people about 12% more per annum, but it's not --

12 MR. BELANGER: It occurs to me that if people
13 are sick they naturally go to a doctor and if they
14 are in legal trouble they go to a lawyer. When they
15 need money they automatically think of a bank but they
16 have been educated to believe that banks want their
17 dough to keep for security and therefore they can't go
18 there. Then they are desperate -- where do they go
19 next? If they knew that there was a fairly formal,
20 regulated, well disciplined money market available, such
21 as you are describing, I think that it would go a very
22 long way to bring down the rates and to achieve credib-
23 ility for the demand, and might achieve a very great
24 deal if only known by the general public that this money
25 market existed and what were the rules about entering
26 it and observing observations to be made and selecting
27 the right form of credit and so on.

28 MR. BAILLIE: Wandering along that line, if I
29 may, it's amazing to me that out of this -- Mr. Simone
30



well -- they visualize the mortgage money sometimes
as some kind of a huge spider that is going to pounce
on them. They might go somewhere else and pay cash.
twice the rate of interest, because the other fellow
has good banking relations but -- people do need to be
educated to this. I think if they are educated to this
they can make their free choice. Ground water charges
12 per month, which is 12% to their neighbors. They give
dividends in the Credit Union. That's wonderful -- saves
the people about 12% more per annum than it's cost --
it occurs to me that if people
and also they naturally go to a doctor and if they
are in legal trouble they go to a lawyer. When they
need money they automatically think of a bank but they
have been educated to believe that banks want their
money to keep for security and therefore they can't go
there. Then they are desperate -- where do they go
next? If they knew that there was a rational formula,
regulated, well distributed money market established, such
as you are describing, I think that it would go a very
long way to bring down the interest rate to a more realistic
level for the demand, and right away a very great
deal is only known by the general public that this money
market existed and what were the rules about entering
it and observing operations so as to make and selecting
the right form of credit and so on.

MR. MILLER: Wasn't it said that line, W. I.
may, it's amazing to me that out of this -- Mr. Miller



1 says there will be fewer registrations under the Act
2 this year, apparently from his statistics, and it's
3 amazing to me that out of the even if there are only
4 600 or 500, that there have only been about 100 brokers
5 join our Association. The big thing keeping them out
6 is the cost to join, which is \$100.00 and some of them
7 don't see the value of spending \$100.00 today. Now,
8 of course if we had 200 members -- we have a budget
9 laid out, we've had it laid out for four years, of what
10 we can do -- educational programmes, public relations,
11 etc. Our membership drive has been -- we've had steady
12 growth but not what we expected and we would like.

13 MR. BELANGER: Well, I would say from what
14 you say on page 2 -- in other words you object -- from
15 what I gather -- you object to the banks saying that
16 their amount of money is 6% per annum when, as you
17 explained there, actually it's not 6%, it's 11 to 13%?

18 MR. BAILLIE: Well, I don't think, Mr.
19 Belanger, that they necessarily always tell people it's
20 6%. Sometimes if they are not asked they don't quote
21 any rate. If they are asked sometimes they quote 8%,
22 9%, sometimes the employees of the bank say they don't
23 know what they charge you. Banks -- I don't object to
24 the banks charging that -- it's just that they should
25 be made to tell the people what they are paying.
26 Competition will take care of the rates if everybody
27 knows what they are paying. I don't think there is any
28 great problem.

29 SPEAKER: Extraneous noises --
30



1 says there will be fewer registrations under the Act
2 this year, apparently from the statistics, and it's
3 according to me that one of the even if there are only
4 500 or 500, that there have only been about 100 members
5 join our Association. The big thing looking ahead
6 is the cost to total which is \$100.00 and some of them
7 don't see the value of spending \$100.00 today. Now,
8 of course if we had 200 members -- we have a budget
9 laid out, we've laid it laid out for four years, of which
10 we can do -- educational programs, public relations,
11 etc. Our membership drive has been -- we've had already
12 growth but not what we expected and we would like
13 MR. BALDWIN: Well, I would say from what
14 you say on page 2 -- in other words you object -- from
15 what I gather -- you object to the banks making their
16 their amount of money in the same way as you
17 explained there, actually in a way that it is to say
18 MR. BALDWIN: Well, I don't think, Mr.
19 something, but I think that the banks are
20 etc. Somewhere if they are not making money, they
21 any rate. If they are making something they should
22 get, sometimes the arguments of the banks and then don't
23 know what they charge you. Banks -- I don't object to
24 the banks charging what -- but I think they should
25 be made to tell the people what they are charging.
26 Competition will take care of the rates if everybody
27 knows what they are paying. I don't think there is any
28 great problem.

29 SPEAKER: Extension notice --



1 MR. BAILLIE: Pardon me, sir?

2 MR. BELANGER: What is it you mean by this --
3 what is a disbursement?

4 MR. BAILLIE: Oh, disbursement -- well, the
5 disbursement mentioned here is in connection with the
6 legal costs which, as I say, are normally the tariffs
7 set by the Law Society. The disbursements can range
8 between twelve and nineteen or twenty dollars
9 for the lawyer, the cost of searching the title etc.,
10 usually a small item.

11 MR. BELANGER: What did you say was the
12 amount of that?

13 MR. BAILLIE: Between twelve and twenty
14 dollars normally. They generally are -- the average is
15 probably fourteen or fifteen dollars.

16 MR. MACDONALD: We were told yesterday of a
17 flat rate of fifty.

18 MR. BAILLIE: Well, that's disbursements, Mr.
19 MacDonald, that's not the fee. The fee is set out by
20 the Law Society. We don't interfere with that,
21 that is their business, not --

22 MR. BELANGER: You mentioned here that a
23 person of normal intelligence -- what does that consist
24 of?

25 MR. BAILLIE: Well, that perhaps is not a
26 very good choice of words but just the average person,
27 I think -- somebody like me. I can understand it.

28 MR. BELANGER: Voice inaudible --

29 MR. BAILLIE: I don't think you need to be
30 erudite.



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MR. BAKER: What is it you mean by this --
What is a disbursement?
MR. BAKER: On disbursement -- well, the
disbursement mentioned here is in connection with the
legal costs which, as I say, are normally the lawyer's
set by the law Society. The disbursement can range
between twelve and fifteen or twenty dollars
for the lawyer, the cost of securing the client's
usually a small sum.
MR. BAKER: What did you say was the
amount of that?
MR. BAKER: Between twelve and twenty
dollars normally. They generally are -- the average is
probably fourteen or fifteen dollars.
MR. BAKER: As were said earlier of a
first rate or fifty.
MR. BAKER: Well, that is not the law, the law is not one of
the law Society. We don't know what it is.
that is their business, not --
MR. BAKER: You mentioned that that a
person of normal intelligence -- what does that person
MR. BAKER: Well, that is not a
very good choice of words but I am a lawyer, I am
I don't -- somebody like me, I am a lawyer, I am
MR. BAKER: What is that? --
MR. BAKER: I don't know what you need to be



1 MR. REILLY: Mr. Chairman, I was interested
2 in what Mr. Baillie said about their company uses its
3 own funds. Now, if I want to invest in your company
4 you have a pool of funds that you would allow me to
5 invest in your company?

6 MR. BAILLIE: We could. We do that on
7 occasion but not --

8 MR. REILLY: But you don't advertise, being
9 a private company?

10 MR. BAILLIE: No.

11 MR. REILLY: If I were to invest funds with
12 you, would I automatically invest them in the form of
13 a mortgage or would I receive a yield, a certain,
14 specific interest?

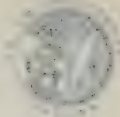
15 MR. BAILLIE: No, you would receive a
16 mortgage, a specific assignment of a mortgage.

17 MR. REILLY: Now, you suggest on page 6C
18 that a 5% fee should be adequate for most services,
19 large and small loans. Yesterday we learned that 9% --
20 3% for a lawyer and 6% for brokerage on first
21 mortgages -- seemed to be adequate and suggested that
22 it should be increased to 10%. On second mortgages
23 we learned that one broker was charging upwards of
24 16% for a fee including the legal fee. Now, in
25 addition to this 5%, how much extra would be necessary?

26 MR. BAILLIE: Well, the legal fees only.

27 MR. REILLY: And what would that amount to
28 approximately in your --

29 MR. BAILLIE: Well, the minimum legal fee
30



MR. REILLY: Mr. Chairman, I was interested in what Mr. Baillet said about their company uses its own funds. Now, if I want to invest in your company you have a pool of funds that you would allow me to invest in your company?

MR. BAILLET: We could. We do that on occasion but not --

MR. REILLY: But you don't advertise, being a private company?

MR. BAILLET: No.

MR. REILLY: If I were to invest funds with you, would I automatically invest them in the form of a mortgage or would I receive a stock, a certificate, specific interest?

MR. BAILLET: No, you would receive a mortgage, a specific assignment of a mortgage.

MR. REILLY: Now, you suggest on page 66 that a 5% fee should be adequate for most services, large and small loans. Yesterday we learned that 5% -- 5% for a lawyer and 5% for brokerage on first mortgages -- seemed to be adequate and suggested that it should be increased to 10% on second mortgages we learned that one broker was charging 10% of 10% for a fee including the legal fee. Now, in addition to this 5%, how much more would be necessary?

MR. BAILLET: Well, the legal fee only.

MR. REILLY: And what would that amount to approximately in your --

MR. BAILLET: Well, the legal fee only.



1 normally is fifty dollars. A lawyer has to cover
2 his costs as well and the average lawyer just couldn't
3 search a title, certify title, do all the mechanical
4 work involved for less than fifty dollars plus
5 disbursements. That's on, say, a \$2500.00 loan the
6 tariff is something like \$25.00 I think, or very little
7 more.

8 MR. REILLY: What would be the average loan
9 that you would make -- average price -- would it be
10 \$2,000 or \$2,500 or \$3,000 or -- what do you average?

11 MR. BAILLIE: In residential loans, which
12 we are speaking of now, the average size would probably
13 be around \$3,000. Twenty-five hundred to three
14 thousand.

15 MR. REILLY: What do you think would be a
16 fair flat fee to include everything, then? Under those
17 circumstances of a \$2,500 or a \$3,000 loan?

18 MR. BAILLIE: Well, on a \$2,500 loan I
19 would think \$190.00. That's including \$65.00 for
20 legal fees and disbursements -- that's just averaging
21 it. Sometimes disbursements can be two or three dollars
22 higher -- and \$125.00, or 5% of the \$2,500 as a fee.

23 MR. REILLY: From the standpoint of personal
24 interest, Mr. Baillie, how many people would come to
25 you for a loan that could normally go to, say, a trust
26 company or an insurance company?

27 MR. BAILLIE: A large number. We deal with
28 them through a trust company.

29 MR. REILLY: What percentage of your business
30



normally is fifty dollars. A lawyer has to cover his costs as well and the average lawyer just couldn't search a title, certainly title, do all the mechanical work involved for less than fifty dollars plus disbursements. That's on a \$25,000 loan the tariff is something like \$25.00 I think, or very little more.

MR. REILLY: What would be the average loan that you would make -- average price -- would it be \$2,000 or \$2,500 or \$3,000 or -- what do you average? MR. BAILLIE: In residential loans, which we are speaking of now, the average size would probably be around \$3,000. Twenty-five hundred to three thousand.

MR. REILLY: What do you think would be a fair flat fee to include everything, under those circumstances of a \$2,500 or a \$3,000 loan? MR. BAILLIE: Well, on a \$2,500 loan I would think \$100.00. That's including \$25.00 for legal fees and disbursements -- that's just everything. Sometimes disbursements can be two or three dollars higher -- and \$125.00 or \$25.00 as a fee.

MR. REILLY: From the standpoint of personal interest, Mr. Baillie, how many people would come to you for a loan that could normally be got, say, through a company or an insurance company?

MR. BAILLIE: A large number. We deal with them through a third company.

MR. REILLY: What percentage of your business



1 would go through a large company like this? Approximately?

2 MR. BAILLIE: I would say approximately 25%.

3 MR. REILLY: And this is one reason why,
4 of course, you can render this service for less money?
5 You automatically have a place to secure the funds?

6 MR. BAILLIE: There are -- gosh, I don't
7 know -- there is going to be about 50 trust companies
8 in the next couple of years apparently, but there are
9 something like 15 trust companies available to us in
10 this area. There is a big problem in outlying areas
11 throughout the Province. They have a real problem in
12 some areas.

13 MR. REILLY: So actually you are not doing
14 as much business with the risky element when you are
15 able to place these funds with insurance companies
16 and with trust companies because they wouldn't be
17 willing to accept it if it wasn't a good risk?

18 MR. BAILLIE: Well, those loans -- they are
19 very solid, sound investments.

20 MR. REILLY: It appears to me that you are
21 doing a little different type of business than some
22 of the brokers.

23 MR. BAILLIE: Well, we do a lot of second
24 mortgage business, we do an awful lot, an awful lot.
25 The majority of our business is second mortgage
26 business.

27 MR. MACDONALD: What percentage do you think?

28 MR. BAILLIE: Well, practically the other
29 75%. Not quite but close -- probably 70%.

30



would go through a large company like this? Approximately?
MR. BAILLIE: I would say approximately \$25.
MR. KELLY: And take as one reason why,
of course, you can render this service for less money?
You automatically have a place to store a few things.
MR. BAILLIE: There are -- well, I don't
know -- there has got to be about 10 times as many as
in the next couple of years apparently, but there are
something like 15 trust companies available to us in
this area. There is a big problem in existing areas
throughout the Province. They have a real problem in
some areas.
MR. KELLY: So actually you are not doing
as much business with the risky element when you are
able to place these funds with insurance companies
and with trust companies because they wouldn't be
willing to accept it if it wasn't a good risk?
MR. BAILLIE: Well, those loans -- they are
very solid, sound investments.
MR. KELLY: It appears to me that you are
doing a little different type of business than some
of the brokers.
MR. BAILLIE: Well, we do a lot of second
mortgage business, we do an awful lot of real estate.
The majority of our business is second mortgages.
MR. MACDONALD: What percentage do you think
MR. BAILLIE: Well, practically the other
75%. Not quite but close -- probably 75%.



1 MR. IRWIN: And your private funds -- they
2 don't go through --

3 MR. BAILLIE: No, when I say second mortgage
4 business-- excuse me -- this is, we might make a first
5 mortgage on a subdivision for a quarter of a million
6 dollars or something. Taking residential, I don't --
7 I couldn't give you an offhand figure. Other than
8 conventional though -- conventional are loans which
9 would go to a trust or life company etc., or a pension
10 fund. Probably 75% of our business is what you might
11 say unconventional.

12 MR. REILLY: Mr. Baillie, you wouldn't place
13 your second mortgage business with a trust company
14 or an insurance company; is that right?

15 MR. BAILLIE: No, they are not allowed under
16 law, to my knowledge.

17 MR. LETHERBY: The average rate on the
18 second is a rate of 12, is it?

19 MR. BAILLIE: I'd say in our case the average
20 rate is probably 11%. We make seconds as low as 9.

21 MR. LETHERBY: Is that the stated rate or
22 the effective rate?

23 MR. BAILLIE: No, that's the stated rate on
24 the -- without bonus.

25 MR. SEDGWICK: Thanks, Mr. Baillie.

26 MR. BAILLIE: Is that everything?

27 MR. MACDONALD: Well, Mr. Chairman, I haven't
28 too much in mind. I was very impressed with Mr.
29 Baillie's brief and his off-the-cuff suggestions. There
30



MR. BAKER: I am not sure that I can

don't go through --

MR. BAKER: No, when I say second mortgage

business -- excuse me -- this is, we would make a first

mortgage on a subdivision for a quarter of a million

dollars or something. Taking residential, I don't --

I couldn't give you an official answer. When they

conventional through -- conventional and loans which

would go to a trust or life company, etc., or a pension

fund. Probably 75% of our business is what you might

say unconventional.

MR. BAKER: Mr. Baker, you wouldn't place

your second mortgage business with a trust company

or an insurance company, is that right?

MR. BAKER: No, they are not allowed under

the law to do that.

MR. BAKER: The average rate in the

second is a rate of 12, is it?

MR. BAKER: I'd say in some cases the average

rate is probably 12. We make second as low as 9.

MR. BAKER: Is that the added rate or

the effective rate?

MR. BAKER: No, that is the added rate on

the -- without bonus.

MR. BAKER: I am not sure that I can

MR. BAKER: Is that everything?

MR. BAKER: I am not sure that I can

too much in mind. I was very impressed with Mr.

William's brief and his off-the-cuff suggestions. There



1 is only one thing that interested me and that is what
2 Mr. Irwin, I think, was trying to get at. To my mind
3 is this: there are countless hundred of people through-
4 out the country who need mortgage money but they are
5 unfamiliar with the method of going out to get it. Now
6 I've always been impressed with the very high class
7 type of advertising that our various chartered banks
8 do and our trust companies. Now you -- many of you
9 mortgage brokers, I would say the great majority, are
10 land and farms businesses that carry on with a very
11 high code of ethics. The public would have great
12 confidence in your method and manner of doing business.
13 Well, what would impress me -- and I think this is
14 what Mr. Irwin is trying to get at -- if you boys, I
15 mean who represent the good element of the brokerage
16 business, could pool your resources and carry out the
17 type of advertising, probably in our daily and weekly
18 papers, on the same basis and the same manner that your
19 trust companies do and the banks, but I mean -- you
20 know, with your own wording, which would give people
21 to understand that if you are in need of mortgage
22 money, first or second, that this is a reputable place
23 to come for good advice, for good counsel and probably
24 could be so set up, so arranged, that you would flush
25 out the shyster brokers, which is the aim and object,
26 I think, of this Committee.

27 You said -- excuse me, Mr. Baillie -- you
28 said a moment ago that you had such plans in your
29 organization for this very situation, and that interests
30



is only one thing that interested me and that is what
 Mr. Iwain, I think, was trying to get at. To my mind
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 money, first of all, that there is a resource is place
 to come for good advice, for real counsel and probably
 could be so set up, so organized, that you would find
 out the simpler business, which is the real object.
 I think, of this domestic.
 You said -- excuse me, Mr. Robinson -- you
 said a moment ago that you had some plans in your
 organization for this very situation, and what interest



1 me very much. I would like to see --

2 MR. BAILLIE: Well, the first year when
3 this Mr. Roberts was the Attorney General -- this is
4 1960 -- there was quite a to-do about this to say the
5 least, and we anticipated 200 members and we had quite
6 a large budget and we did very well for having had at
7 that time about 60 members. We had a huge budget and
8 there is just a limit -- we spent a lot of money --
9 you can't see it. We spent an enormous amount of time.
10 We have to spend more money.

11 MR. MACDONALD: I would think you would have
12 to be very careful not to spend a lot of money in a
13 promotional scheme such as that, to educate the people
14 and then bring them to the chap who you are trying to
15 eliminate. If they differentially come in there -- how
16 that could be done, but you boys can do that.

17 MR. BAILLIE: Along this line, Mr. Chairman,
18 I understand that anyone talking here has the Parlia-
19 mentary Immunity. One of the men who --

20 MR. MACDONALD: Is that right? I believe
21 so, yes. That's the --

22 MR. BAILLIE: I see. Well, one of the
23 gentlemen who sat in this chair yesterday apparently
24 was asked -- it was in the papers this morning, if
25 that's correct -- why he didn't join the Ontario
26 Mortgage Brokers' Association and he said he didn't
27 need to hide behind a cloak of respectability. That
28 gentleman applied for membership two or three years
29 ago and was turned down.



no very much. I would like to see --

MR. BAILEY: Well, the first year when

this Mr. Roberts was the Attorney General -- this is

1960 -- there was quite a to-do about this to say the

least, and we anticipated 100 members and we had quite

a large budget and we did very well for having had at

that time about 60 members. We had a huge budget and

there is just a little -- we spent a lot of money --

you can't see it. We spent an enormous amount of time.

We have to spend more money.

MR. BAILEY: I would think you would have

to be very careful not to spend a lot of money in a

promotional scheme such as that, to attract the people

and then bring them to the camp who are trying to

eliminate. It may differentially come in there -- how

that could be done, but you have to do that.

MR. BAILEY: Along with this, Mr. Chairman,

I understand that anyone talking here on the Parlia-

mentary immediately. One of the members --

MR. BAILEY: Is that right? I believe

so, yes. That's --

MR. BAILEY: I see. Well, one of the

gentlemen who sat in this chair yesterday at morning

was asked -- it was in the papers this morning, it

that's correct -- way he didn't like the Ontario

Mortgage Brokers' Association and he said he didn't

need to hide behind a cloak of respectability. These

gentlemen applied for membership two or three years

ago and was turned down.



1 MR. MACDONALD: What would your reaction
2 be to compulsory membership in the OMBA?

3 MR. BAILLIE: I don't think it -- well, I
4 haven't thought about it, Mr. MacDonald. That's a
5 tough subject because we -- that would mean everyone,
6 every broker, and we can't talk about a code of ethics
7 and try to hold ourselves out to be reasonable people
8 if --

9 MR. MACDONALD: Well, you see, the problem
10 we are going to be faced with in committee is to
11 what extent it is feasible and desirable to let the
12 industry regulate itself or to what extent supplementing
13 this or as an alternative to this, we come to the
14 conclusion that the only answer is government regu-
15 lation. Now, notwithstanding what some people may
16 think of my political philosophy, I think self-regu-
17 lation is the better one. Now, how you maintain you
18 are going to do self-regulation with 100 of the 600
19 people --

20 MR. BAILLIE: Well, an example, if I may,
21 together with Mr. Simone, the Registrar, about three
22 years ago or close to that, we decided that we would
23 not -- our members would not -- advertise interest
24 rates because you can't honestly advertise an interest
25 rate that is going to attract anybody. You will have
26 five ads in the paper and one fellow is advertising
27 second mortgages as low as 9%, which is quite true.
28 The only thing is there is only about one person out
29 of a hundred that can get that, so that this becomes a
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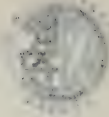


1 come on or a come in and see if you can qualify sort
2 of thing, which is used in many types of businesses,
3 which shouldn't be used in this type of business. To
4 put a legitimate ad, by and large, is a waste of time.
5 Say that I have second mortgage money for almost
6 anyone that has reasonable equity in his house at 12%
7 per annum, simple interest, no bonus, 5-year term or
8 10-year term, this is useless. You might as well
9 burn the money.

10 MR. MACDONALD: Well, the problem that I am
11 getting at without going into that detailed beginning,
12 for a moment, is that, to put it bluntly, we had a man
13 before us yesterday who shouldn't be in the business.

14 MR. BAILLIE: Well, I'm inclined to agree
15 with you.

16 MR. MACDONALD: Now, how do you get him out
17 of the business? Do you get him out of the business
18 by legislative authority, self-regulation so the OMBA
19 has the regulation, or do we in effect give the
20 Department of Insurance greater power so that when
21 you have an operator like this that they have teeth,
22 that they can move in and not have the situation, as
23 Mr. Simone reported one man who in effect said, "Give
24 me another 18 months and I'll have a million dollars
25 and I won't care what you do -- I'll get out of the
26 business". Well, it seems to me that this is tolerating
27 legalized robbery. Now this is our problem as a
28 Committee as to how you come to grips with that thing.
29 Anybody who listened to what we heard yesterday after-
30



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MR. MACKINNAUD: Well, the problem that I am
getting at without going into too detailed beginning,
for a moment, is that, to put it kindly, we had a man
before us yesterday who shouldn't be in the business.
MR. HALLIDAY: Well, I'm inclined to agree

with you.

MR. MACKINNAUD: Now, how do you get him out
of the business? Do you get him out of the business
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Department of Insurance greater power so that when
you have an operator like this that they have tested,
that they can move in and not have the situation, as
Mr. Simons reported one can also in effect not, "Give
me another 15 minutes and I'll have a million dollars
and I won't care what you do -- I'll get out of the
business". Well, it seems to me that this is a legislative
legislative matter. Now this is one question is a
Committee as to how you come to grips with that thing.
Anybody who listened to what we heard yesterday after-



1 noon and this becomes legally permissible, somebody is
2 not doing their duty --either at the legislative level
3 or the OMBA or a combination of both.

4 MR. BAILLIE: Of course the laws are there
5 to protect the innocent and in every law I am sure there
6 is some way that someone who is clever enough or had a
7 good enough lawyer who could find a way around it. I
8 don't think there is any law -- at least I doubt that
9 there is any law -- that this could not be done to
10 and I doubt that you can really legislate morals. To
11 put this fellow out of business is a tough question.
12 This Mr. Simone has been struggling long and hard with
13 certain individuals for three or four years. He is
14 one of the most frustrated citizens in this City at
15 times, if not in the Province, but he's had a problem.
16 The Act was very hastily put together in the first place
17 and I don't think a Civil Servant, with all due respect,
18 or any individual should be given too much power to be
19 a Czar or Commissioner so that he can say, "Bing" -- that's
20 it.

21 MR. MACDONALD: Well, all I am trying -- and
22 I leave it here for the moment because I think these
23 are conclusions that our Committee will have to discuss --
24 is that somebody hasn't got enough power when some of
25 the operators in the field are able to continue. Now,
26 who it is that hasn't got enough power I am not prepared
27 at the moment to say.

28 MR. BAILLIE: The Department should have the
29 power to put them out of business.



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not doing their duty -- either at the legislative level
or the OMB or a combination of both.

MR. BAILLIE: Of course the issue here is there

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are conclusions that our Committee will have to discuss --
is that somebody hasn't got enough power when some of
the operators in the field are able to continue. Now,
was it is that hasn't got enough power I am not prepared



1 MR. MACDONALD: Well, it should be. That man
2 is carrying a licence, is he, to do business granted
3 him by this government?

4 MR. LETHERBY: Well okay, there's the crux of
5 it right there. It should be chopped away from him.

6 MR. REILLY: On what basis?

7 MR. LETHERBY: On what basis? The man is
8 carrying on in an illegal manner, flim-flamming the
9 public. They should be protected against him. If you
10 are going to self-discipline him -- I mean, you members,
11 you can go and put your arm around him and take him out
12 to the service club and treat him nice and kindly, but
13 he's only getting more clients, he will steal from your
14 family.

15 MR. BELANGER: Just like the Police Commission
16 has a right to make or break who is going to run a
17 pool hall?

18 MR. LETHERBY: No. If you violate the laws
19 of our highways you are going to be jacked up quickly
20 by a Provincial policeman whose job it is to patrol.
21 He doesn't make the law -- we make the law -- but that
22 the other follow stick to it is necessary.

23 MR. BELANGER: Don't people have to apply to
24 the Provincial Secretary to get permission to be able
25 to operate?

26 MR. LETHERBY: From somebody.

27 MR. REILLY: The Department of Insurance.

28 MR. MACDONALD: What if a person like the
29 Department -- what if there was some sort of an
30 independent tribune whereby some operator who is a



MR. MACDONALD: Well, it should be. That man

is carrying a licence, is he, to do business granted

him by this government?

MR. LEBLANC: Well, okay, there's the story of

it right there. It should be dropped away from him.

MR. LEBLANC: Or what would

MR. LEBLANC: On what basis? The law is

carrying on in an illegal manner, I'm assuming the

public. They should be protected against him. If you

are going to self-discipline him -- I mean, you members,

you can go and put your arm around him and take him out

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MR. LEBLANC: Don't people have to apply to

the Provincial Secretary to get permission to be able

to apply?

MR. LEBLANC: The Department of Insurance.

MR. MACDONALD: What is a person like the

Department -- what if there was some sort of an

Department which thereby some operator who is a

1 fringe operator, and he is obviously operating as a
2 fringe operator -- his whole approach is "Give me 18
3 months and I'll make a million and then you can go to
4 hell" kind of approach. Suppose you had an appeal in
5 which this person could be brought before us, in which
6 you are not leaving the responsibility for exercising
7 a pretty arbitrary power with a Civil Servant. And if
8 he is hurt by this and this Board says, "You are a
9 fringe operator. You obviously have been operating in
10 this way all the time and you intend to continue it.
11 The licence is cancelled."

12 MR. SEDGWICK: There is a similar provision,
13 Mr. MacDonald, in the Securities Act. Anyone licensed
14 as a broker or salesman would then be brought before the
15 Securities Commission who has authority to invoke the
16 legal procedures and his licence either is cancelled or
17 he reports from time to time -- voice inaudible --

18 MR. MACDONALD: I don't think a Civil Servant
19 like Mr. Simone -- to come back to his state of
20 frustration -- should be in a state of frustration.
21 He's got to deal with a fringe operator and he is
22 constantly having his life plagued by this fringe
23 operator, there should be some mechanism of coming to
24 grips with this person.

25 THE CHAIRMAN: We will ask Mr. Simone to make
26 some comments on that later but I don't think now is the
27 time to do it. He's observing here today and he's
28 taking some of these points down and he will elaborate
29 on them later. I would like to ask Mr. Baillie:



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fringe operator -- his whole approach is "Give me 18
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MR. SIMON: There is a similar provision.
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as a broker or salesman would then be brought before the
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MR. MACDONALD: I don't think a Civil Servant
like Mr. Simon -- to come back to the state of
frustration -- should be in a state of frustration.
He's got to deal with a fringe operator and he is
constantly having his life played by this fringe
operator, there should be some mechanism of coming to
grips with this person.

THE CHAIRMAN: We will ask Mr. Simon to make
some comments on that later but I don't think now is the
time to do it. He's operating here today and he's
taking some of these points down and he will elaborate
on them later. I would like to ask Mr. Ballie:

1 Have you observed any improvement in the mortgage field
2 over the past two or three years?

3 MR. BAILLIE: Yes. There are brokers who were
4 involved in the hearing in 1960 who have been, since
5 that time to all appearances and I am sure this is the
6 case, who have conducted their business in a very proper
7 and reasonable way. The public is certainly a little
8 smarter than they were. I think there were several who
9 were refused registration at the time which, in effect,
10 was a huge improvement from the public's point of view,
11 and from the mortgage brokers point of view.

12 THE CHAIRMAN: Do you think the Department
13 should be doing more than they are doing now to educate
14 the public?

15 MR. BAILLIE: The problem is, Mr. Chairman,
16 that -- I had an interview, several interviews with
17 Mr. Simone and Mr. Richards and Mr. Cass this past
18 spring and there are something like, as I said in my
19 submission, two to four complaints a month. Now, Mr.
20 Simone states that perhaps there are two or three
21 hundred complaints that could be made but people don't
22 know enough to complain. This could be, but I think
23 over a period of time you would see some of these
24 complaints coming up. There has been enough publicity
25 at one time or another about the mortgage business.
26 Many of the people I run across who want to borrow
27 money are pretty smart. They don't -- you have to be
28 a whale of a salesman to put anything over on them, in
29 my opinion.
30



1 MR. BUKATOR: Perhaps it's easy to put
2 something over on them if they are desperate?

3 MR. BAILLIE: Yes, sometimes when you get them
4 over a barrel, that's the case. This fellow who is
5 over a barrel, he may have tried the bank, the finance
6 company, the Credit Union -- he can't get the money
7 anywhere and if he doesn't pay he is going to lose his
8 house. He may have tried several legitimate mortgage
9 brokers or several mortgage brokers and they say, "Well,
10 I'm sorry, you don't have enough security so we can't
11 make the loan. Have you tried the finance company or
12 the Credit Union or so and so?" Then he may come into
13 the office of a fellow who will make a loan which
14 perhaps shouldn't be made in the first place. Number
15 one, the fellow can't afford it. Number two, he's
16 got no security, or no real security other --the poor
17 thing is hounded for the rest of his life, gets
18 judgments, garnishee his pay and so on. They can make
19 it pretty miserable for him, but this is -- people who
20 are desperate can't offer too much in the way of
21 security. Now perhaps they shouldn't have bought the
22 house in the first place but they can't help that at
23 this point. There were thousands of houses sold after
24 the war, thousands and thousands, NHA houses with hidden
25 seconds. Just thousands. I would say at one time
26 there were about 80% of NHA houses were selling with
27 hidden seconds. Central Mortgage and Housing had no
28 knowledge of the thing. This is a few years ago. All
29 these people now --those little mortgages for the
30

MR. PROCTOR: Perhaps it's easy to put

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MR. ELLIOTT: Yes, sometimes when you get them

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these people now -- these little mortgages for the



1 builders ran for about three years.

2 MR. BAKATOR: Tell us a little more about that.
3 How these second mortgages could exist.

4 MR. BAILLIE: Well, it was a loss to the
5 builders as a general rule. The builder either had to
6 be well enough off to hold the mortgage to maturity or
7 he had to sell it at a discount and actually take less
8 than the normal profit on the building. Or, in some
9 cases, he would boost the price a little of the house to
10 compensate for the discount, but the situation doesn't
11 any more because we've got NHA mortgages now which are
12 quite large. There were these people, thousands and
13 thousands of people the seconds came due in three
14 years. They had no choice. They owed a couple of
15 thousand dollars or fifteen hundred or twenty-five
16 hundred -- they had to arrange money somewhere. A lot
17 of them left it to the last minute -- they didn't
18 bother -- they thought it ran longer -- maybe the real
19 estate agent told them it would run until paid -- I
20 don't know -- tell them anything. They were in a pretty
21 bad spot, a lot of people.

22 MR. BUKATOR: That is not the situation now?

23 MR. BAILLIE: No. Not at all. NHA now lends
24 up to darn near sixteen thousand dollars on a little
25 four bedroom bungalow which is not really much need for
26 a second mortgage.

27 MR. BUKATOR: That condition still exists in
28 some areas. A contractor will build a house on
29 speculation. He will buy the lot -- business is not
30 what it should be -- he will build two or three houses



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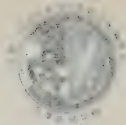


1 and he will buy the lot with a small down payment. He
2 will go out and complete the house and get good
3 draws up as required to pay off some of the first
4 mortgage to him. When he finds a purchaser ready and
5 willing to buy the house but he does not have that three
6 or four thousand dollars so often the contractor will
7 take a second mortgage and that condition still exists
8 in some areas. Not necessarily in the NHA home but
9 the thirteen, fourteen thousand into the eighteen,
10 nineteen, twenty thousand dollar home. This happens quite
11 a little bit yet. But I find no contractors that will
12 take a second mortgage at 7% for three years and in
13 some instances have sold it for a lesser amount of money
14 they get their cash out. Does that exist to your
15 knowledge? Do you know anything about that?

16 MR. BAILLIE: Not to any great degree, sir.
17 The new houses -- well, it can happen, it does exist,
18 but I don't think it's of --

19 MR. BUKATOR: It's not a hidden second mortgage.
20 Everybody knows what they are getting into. It's the
21 record of the contractor that can get the mortgage
22 in the first instance.

23 MR. BELANGER: There could be an instance
24 where, as you mentioned at the beginning, Mr. Bukator,
25 where the contractor or subdivider still owes on the
26 lot but I suppose -- I had two women who swear the
27 homeowner bought and had to assume this because it was
28 there. But in most cases they get a partial discharge
29 and general mortgage on the subdivision in respect to
30



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will go out and complete the house and get good

drawn up as required to pay off some of the first

mortgage to him. When he finds a purchaser ready and

willing to pay the house but he does not have that three

or four thousand dollars so often the contractor will

take a second mortgage and that condition still exists

in some areas. Not necessarily in the WMA home but

the thirteen, fourteen thousand into the eighteen.

thirteen, fourteen thousand into the eighteen.

a little bit yet. But I find no contractors that will

take a second mortgage at 7% for three years and in

some instances have sold it for a lesser amount of money

they get their cash out. Does that exist to you?

knowledge? Do you know anything about that?

MR. BAILLIE: Not to any great degree, sir.

The new houses -- well, it can happen, it does exist,

but I don't think it is of --

MR. HENDERSON: It's not a hidden second mortgage.

Everybody knows what they are getting into. It's the

record of the contractor that can get the mortgage

in the first instance.

MR. BELMONT: There could be an instance

where, as you mentioned at the beginning, Mr. Johnston,

where the contractor or subdivision still owes on the

lot but I suppose -- I had two women who swear the

homeowner bought and had to assume this because it was

there. But in most cases they get a partial discharge

and possibly something on the subdivision in respect to



1 a particular lot or their lawyer checks up to make sure
2 that the property is properly cleared.

3 MR. BUKATOR: Oh yes, the property is clear
4 in a case like that. Naturally the property is clear,
5 but someone has to assume that second mortgage.

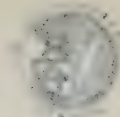
6 MR. BELANGER: The feeling you had in the very
7 last paragraph of your brief, is that the feeling of your
8 own company as well as the feeling of the Mortgage
9 Brokers' Association?

10 MR. BAILLIE: Well, Mr. Belanger, when I
11 received the letter from the Committee I phoned Mrs.
12 Dell and asked her if they were asking me as Dave
13 Baillie, Mortgage Broker, or as Dave Baillie, President
14 of the OMBA and they said that, "We didn't know that
15 you were President", so this is our own company's
16 feeling. This is shared by the members of the
17 Association but it's our individual view.

18 MR. MACDONALD: On the OMBA -- I think Mr.
19 Greenaway made the suggestion -- if there were more
20 regulations laid down by the government there might be
21 a tendency on some of these fields, like the declaring
22 of interest and things of that nature, that there might
23 be then more willingness for people to become members
24 of the Association.

25 MR. BAILLIE: Well, I'm like you. I'm against
26 too many regulations. If you can police yourself, this
27 is the --

28 MR. MACDONALD: But how can you police your-
29 self when you've got 20% of your people in the
30



a particular lot or their lawyer checks up to make sure

that the property is properly situated.

MR. BUCKLE: Oh yes, the property is clear.

In a case like that, naturally the property is clear.

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MR. BELMONT: The feeling you had in the very

last paragraph of your brief, is that the feeling of your

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MR. BAILLIE: Well, Mr. Belmont, when I

received the letter from the Committee I phoned Mr.

Dell and asked him if they were asking me as have

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of the OMA and they said that, "We didn't know that

you were President", so this is our own company's

feeling. This is shared by the members of the

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MR. MACDONALD: Is the OMA -- I think Mr.

Greenway made the suggestion -- it seems more

regulations laid down by the government there might be

a tendency on some of these fields, like the declining

of interest and things of that nature, that there might

be then more willingness for people to become members

of the Association.

MR. BAILLIE: Well, I'm with you. I'm against

too many regulations. If you can police yourself, this

is the --

But how can you police your-

self when you've got 20% of your people in the



1 organization? You've got to face reality.

2 MR. BALLIE: This is correct.

3 MR. MACDONALD: At the moment you are helpless
4 to police yourself.

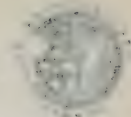
5 MR. BALLIE: Correct. We can police our own
6 members only. Our members in various cities throughout
7 Ontario, in Windsor, Port William, Ottawa, Cornwall,
8 etc., are watching the papers. They send in ads which
9 we send on to Mr. Simone from daily papers and we keep
10 an eye on things but this is woefully inadequate, I'm
11 afraid.

12 MR. MACDONALD: Mr. Irwin made the comment
13 that he was rather impressed that everybody who came
14 in -- whether he was, if I may describe him, a fringe
15 operator or a respectable operator, that he was in
16 favour of full disclosure.

17 MR. BAILLIE: Well, of course it is politic
18 at a time like this to say such a thing.

19 MR. MACDONALD: I was going to say this is
20 a verbal facade I am certain in one or two instances
21 that I needn't name. Their business would suffer
22 seriously if there was full disclosure. Sitting in
23 that chair obviously they can't say anything else. But
24 if you had regulations for full disclosure in a
25 meaningful way then, it would seem to me, this would be
26 one regulation which would strengthen the hand and
27 it might be more advisable and beneficial to get into
28 the OMBA?

29 MR. BAILLIE: Yes. We use Mr. Irwin's idea
30



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MR. BAILEY: This is correct.

MR. MACDONALD: At the moment you are helpless

to police yourself.

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we send on to Mr. Stinson from daily papers and we keep

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afraid.

MR. MACDONALD: Mr. Lewis made the comment

that he was rather impressed that everybody who came

in -- whether he was, if I may describe him, a fringe

operator or a respectable operator, that he was in

favour of full disclosure.

MR. BAILEY: Well, of course it is possible

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meaningful way then it would seem to me, this would be

one regulation which would strengthen the hand and

it might be more advisable and beneficial to get into

the OMA?

MR. BAILEY: Yes. We use Mr. Lewis's idea



1 on this more reasonable method of calculating. I don't
2 think -- the average citizen is smart enough to know when
3 he is getting taken if he's told that he's taken. Then
4 why does he have to tell him what he's paying? They are
5 not that stupid. I don't need any of them anyway if there
6 are any stupid ones around.

7 MR. IRWIN: Mr. Chairman, I think that it's the
8 person who is desperate who doesn't care what they are
9 being charged, even being told. They just --

10 MR. BAILLIE: Well, the person who is
11 desperate is just sort of closing the door after the
12 horse is gone, I think. Sometimes people are allowed --
13 there are people who think it's a right that they
14 should be able to buy a house instead of it's being
15 essentially a privilege and everybody wants to own
16 their own home. This is a thing you hear all the time,
17 whether they can afford it or not. And I think the
18 people who can afford to own property and keep it up
19 and maintain it and service its debts and so on don't
20 get into trouble. The fellow who can't afford it
21 shouldn't buy a house in the first place. But we're
22 not worrying about that at the moment -- he's already
23 in trouble. I don't really know what you can do for
24 him really -- there's no -- at one time the Province
25 used to give second mortgages, about 10 or 12 years
26 ago when I first got into the business there were little
27 seconds they would give which were very helpful, but
28 very small.

29 MR. IRWIN: That was just the point. I think
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very small.

MR. IRWIN: That was just the point. I think



1 that probably no amount of protection or information
2 or education or regulation or whatever will help the
3 man who at the eleventh hour will recognize this
4 because you have to tell him that he has to pay 35%
5 effective rate of interest and he says, "Never mind
6 that, let's have the mortgage". But for the vast
7 majority of laymen borrowers I would certainly think
8 disclosure and -- it's very encouraging that you
9 suggest that as compared with two or three years ago
10 the borrower is much better informed. At least part
11 of the desired ends can be achieved by more and more
12 education, more and more information about the existence
13 of a second (voice inaudible)

14 MR. BAILLIE: We also recommend that everyone
15 else who lends money to the public, we should do it
16 too, we are not worrying about what the other fellow
17 does, but we think they should know, whoever borrows
18 the money, what the cost is. We are prepared to do
19 it and we are going to do it and I think at this point
20 we would do it whether there were laws or not.

21 THE CHAIRMAN: Mr. Baillie, we appreciate
22 very much you appearing here before the Committee this
23 morning and congratulate you on the quality of the brief
24 you presented and I am sure that this will be very
25 helpful to us.

26 MR. BAILLIE: Thank you.

27 THE CHAIRMAN: We now will hear from Mr. M. G.
28 Singer who is a Barrister and also acting as a mortgage
29 broker. Mr. Singer?



1 that probably no amount of protection or information
2 or education or regulation or whatever will help the
3 man who at the eleventh hour will recognize this
4 because you have to tell him that he has to pay 38%
5 effective rate of interest and he says, "Never mind
6 that, let's have the mortgage". But for the vast
7 majority of laymen borrowers I would certainly think
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9 suggest that as compared with two or three years ago
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26 MR. BAILLIE: Thank you.

27 THE CHAIRMAN: We now will hear from Mr. M. G.

28 Stinger who is a Harpurser and also acting as a mortgage
29 broker. Mr. Stinger



1 MR. SINGER: Mr. Chairman and members of the
2 Committee, I will make myself available for any questions
3 which you would like to ask. I am in a little different
4 situation to Mr. Baillie. Mr. Baillie -- well, he pretty
5 well echoes the sentiments which I have, but I am in
6 the type of business where we are concerned with whether
7 these people who borrow money are going to be able to
8 pay back this money. Now, it has unfortunately been
9 my experience that many mortgage brokers will phone me
10 up and say I require a second mortgage on 32X street and
11 they are not particularly concerned with whether the man
12 can pay it back. Now, I feel that the problem here is
13 overrated as far as the second mortgage -- in this
14 business I shouldn't use the word unconscionable because
15 there are no more unconscionable transactions apparently
16 -- but this is not the problem. The problem is that
17 borrowers are getting themselves into hock and they
18 are getting themselves into hock without any possible
19 thought about the future. It's not necessarily Mr.
20 Baillie's fault or Mr. Greenaway's -- I mention
21 reputable mortgage brokers who I know -- or Mr. Latimer,
22 who are above reproach, all these people are above
23 reproach -- it's not their fault that they want a hi-fi
24 set that they can't possibly pay for. They are
25 certainly stretching the limit of their salary to repay
26 these loans. Now people may have some equity in their
27 homes but they are not protecting it. It's going to
28 go by the board because nobody in this day and age
29 can get, is likely to get 100 cents out of every dollar.

MR. SINGER: Mr. Chairman and members of the

Committee, I will make myself available for any questions which you would like to ask. I am in a little different situation to Mr. Bailie. Mr. Bailie -- well, he pretty well echoes the sentiments which I have, but I am in the line of business where we are concerned with whether these people who borrow money are going to be able to pay back this money. Now, it has unfortunately been my experience that many mortgage brokers will phone me up and say I require a second mortgage on 52X street and they are not particularly concerned with whether the man can pay it back. Now, I feel that the problem here is overstated as far as the second mortgage -- in this business I shouldn't use the word unworkable because there are no more unworkable transactions apparently -- but this is not the problem. The problem is that borrowers are getting themselves into debt and they are getting themselves into debt without any possible thought about the future. It's not necessarily Mr. Bailie's fault or Mr. Greenway's -- I mention reputable mortgage brokers who I know -- or Mr. Estlin, who are above reproach, all these people are above reproach -- it's not their fault that they were a bit late that they can't possibly pay it. They are certainly stretching the limit of the in ability to repay these loans. Now people may have some equity in their house but they are not going to be able to pay it back by the bond because nobody in this day and age is likely to get 100 cents out of every dollar.



1 And you can't make a dollar do three dollars' worth
2 of work. And I feel, although I suppose it is not
3 within the province of this Committee to do this, that
4 the only solution to this problem -- and I don't know
5 how you would do this, or how anybody would ever do
6 it, -- is that a man can only borrow a certain percentage
7 of his income over the past five years. Not to be
8 disclosed by the Department of National Revenue, or
9 anything like that, but that's all he can afford to
10 pay and people don't do that. They borrow more, and
11 more, and more and they get into deeper and deeper
12 debt and this concerns me greatly. To see these
13 people mortgaging their futures, mortgaging their
14 kids' futures because they won't have money for
15 education for their children and they are just not
16 thinking about this. I don't think that people who
17 arrange second mortgages are particularly at fault.
18 If anything their rates of interest and costs are lower
19 than other forms of credit. Banks-- it's true that the
20 bank in their term plan loan -- as you know they are
21 in the consumer lending business and are going into
22 commerce -- were in it before -- they are charging,
23 I can't figure it out really, between nine and twelve
24 and a half depending on the bank and depending on how
25 you figure it out. But they are setting up a situation,
26 because as you know banks are not allowed NHA mortgages
27 which are always 6%, they can't lend on security
28 mortgages -- they are setting up a situation where you
29 get into something that looks pretty good because you
30



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because as you know banks are not allowed FHA mortgages
which are always 6 1/2, they can't lend on security
mortgages -- and are setting up a situation where you
are in a position that looks pretty good, but you



1 really think it's only 6% but usually they are only
2 three years. And many many people because they get it
3 at the bank the payments are very high because it's
4 only three years -- then they have to go to some sort
5 of a second mortgage, pay the fees that are involved
6 there, because the payments are lower. Now there is
7 one other comment I would make. The situation has
8 become much, much, much better in the mortgage field
9 since the regulations that we have have taken effect.
10 Whether you know it or not, and I think you do now,
11 you have a very good man in Simone. He is doing a job
12 and trying to do a job. Now there are a few bad
13 actors here, real bad actors. One was here yesterday.
14 I never met the man personally, but I have heard about
15 him. The question was asked, "How do we get him out
16 of business?" Well, before Mr. Simone got in his
17 position there were two other firms. You saw big ads
18 in the paper -- "Let me be your friend" -- picture of
19 a sweet old woman. Those people aren't in business
20 any more. The bad actors -- ----- and -----
21 I don't know what their names were, they were very --
22 I won't say exotic but very interesting names. They
23 are not in business any more. They don't have licences.
24 I don't know why these other people should be in
25 business. I mean, basically the money market is one
26 that fluctuates. When I first came into this business --
27 I graduated from Law School -- I knew that a mortgage
28 was something where you bought a house and you gave back
29 a mortgage or assumed a mortgage. That man over there,
30



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Whether you know it or not, and I think you do now,
you have a very good man in Simon. He is doing a job
and trying to do a job. Now there are a few bad
people here, real bad actors, but we have many, many
I never met the man personally, but I have heard about
him. The question was asked, "how do we get him out
of business?" Well, before Mr. Simon got in his
position there were two other firms. You saw big ads
in the paper -- "let me be your broker" -- dozens of
a sweet old woman. These people started to make
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that fluctuates. When I first came to this business --
I graduated from Law School -- I knew what a mortgage
was something where you bought a house and you gave back
a mortgage and you got a mortgage.



1 Mr. Greenaway, explained this business to me. I found
2 out that, at that time, all mortgages were a very good
3 investment with very little risk with 12%. And they
4 usually ran for a term of three years. Now without
5 exaggeration, most of the mortgages that I have seen
6 put through in the past year have been -- well, the
7 three years went because competition drove it to five
8 years. The five years is now a thing of the past, it
9 became eight. About a year and a half ago they were
10 almost all ten years. Most of the mortgages, and we
11 handle considerable, are now fifteen years. Fifteen
12 years for a second mortgage is a pretty good deal.
13 A second mortgage at 12% is the maximum today, in my
14 opinion, in the ones I've seen. It used to be the
15 minimum. The situation, I think, is helping itself and
16 remedying itself very fast. The problem is, unfortunate-
17 ly, some mortgage brokers will not say no. If they
18 phone me up and they say, "Look, this fellow just
19 can't afford it. I've seen his house. He may have
20 some equity, but he's got five children and he simply
21 can't afford it." He only -- I mean with no disrespect
22 -- he may work for the City of Toronto or for Eaton's
23 or firms that are not noted for their large salaries
24 and lower capacities, the man simply can't service his
25 loan. Well, some mortgage brokers -- some will agree,
26 others say we'll get it somewhere else. So the man gets
27 into hot water. Nobody has said no. It's too easy to
28 borrow money in this Province. It's too easy. I've
29 seen people come in -- and they may be lawyers -- all
30



I found that at that time, all mortgages were a very good investment with very little risk with 12% and they usually ran for a term of three years. Now without exaggeration, most of the mortgages that I have seen but through in the past year have been -- well, the three years went because competition drove it to five years. The five years is now a thing of the past, it became eight. About a year and a half ago they were almost all ten years. Most of the mortgages, and we handle considerable, are now fifteen years. Fifteen years for a second mortgage is a pretty good deal. A second mortgage at 12% is the maximum today. In my opinion, in the case I've seen, it would be the minimum. The situation, I think, is heading itself and I think that some mortgage brokers will not say no. If they phone me up and they say, "Look, this fellow just can't afford it. I've seen his house. He may have some equity, but he's got five children and he simply can't afford it." He says -- I mean with no disrespect -- he may work for the City of Toronto or for Eaton's or firms that are not noted for their large salaries and lower capacities, the man should not be advised his loan. Well, some mortgage brokers -- some will agree, others say well get it somewhere else. So the man gets into hot water. Nobody has said no. It's too easy to borrow money in this Province. It's too easy. I've seen people come in -- and they may be lawyers -- all



1 they want to know is the lowest possible payment. Maybe
2 they will win a sweepstakes, maybe somebody will die
3 and leave them money. It's not all the mortgage brokers'
4 fault. A lot of it is the consumers' fault. A lot of
5 it is an inherent policy of the civilization in which we
6 live. Everybody has to have a hi-fi. Everybody has to
7 have two cars. Everybody has to have a gardener. Well,
8 they don't have to but unfortunately the banks
9 advertise, "Is Your Car Too Old?" They show pictures of
10 motor boats -- you've seen them in the subway, I have.
11 It's very easy. People get into problems. I don't know
12 how this Committee is going to stop it. I don't believe
13 this mortgage market, this mortgage situation, is a
14 terrible situation. I agree that you give Mr. Simone
15 some authority to get rid of a couple of bad eggs whose
16 names keep coming up and you all know who they are. I
17 don't think the situation is bad. I do feel that
18 the Statement of Mortgage says at the end of five years
19 or at the end of X number of years you will owe -- I
20 believe a very important thing that should be printed
21 probably even in a different colour on that Statement
22 of Mortgage is "THIS MORTGAGE IS NOT PAID OFF WHEN THE
23 MORTGAGE MATURES". Never mind what you will owe or this
24 or that, this mortgage is paid off, so you know. We
25 prefer -- people that I deal with -- prefer that they
26 run to maturity. The way we do it there is usually
27 never a balance owing but there are many firms -- people
28 who only want to lend money for five years. Well, with
29 five years the payment gets pretty high when you borrow
30

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it is an inherent policy of the civilization in which we
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never a balance owing but there are many times -- people
who only want to lend money for five years. Well, with
five years the payment gets pretty high when you borrow



1 three or four thousand dollars. I don't have a rate
2 book with me -- but if you spread it over twelve or
3 fifteen years the payment is quite manageable. It's
4 very, very important, in my opinion, that people know
5 that it is paid off or it isn't paid off in no uncertain
6 terms.

7 MR. SEDGWICK: Well, that could be put right
8 on the forms?

9 MR. SINGER: Yes, in bright letters. I believe
10 that -- I only met Mr. Simone here for the first time
11 today, I had never met him personally although I have
12 spoken to him many times over the telephone to get his
13 opinion about what was the interpretation of a certain
14 regulation or other problems -- and I found him forth-
15 right and straightforward. I phoned up perhaps to
16 report a situation that I thought was poor and he
17 seemed to know all about it and know what was going on.
18 For some reason, somehow, his hands seem to be tied
19 because there are people in this business who should
20 not be in it but I think that they are tarnishing the
21 whole situation. I don't believe, although I don't know
22 whereof I speak -- I don't know every aspect of whereof
23 I speak -- but I know of two mortgage brokers who I
24 would go right down the line with -- they are as honest
25 as the day is long and neither of them has seen fit to
26 join their Association. So I don't know if the Associ-
27 ation is the answer. These men deliver what they
28 advertise. There is no hidden charges -- there's no
29 this or no that. Anybody has any questions they would
30



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MR. SHIMWICK: Well, that could be put right

on the form?

MR. SIMMER: Yes, in bright letters. I believe

that -- I only met Mr. Simon here for the first time
 today. I had never met him personally although I have
 spoken to him many times over the telephone to get his
 opinion about what was the interpretation of a certain
 regulation or other problems -- and I found him forth-
 right and straightforward. I phoned up perhaps to
 report a situation that I thought was poor and he
 seemed to know all about it and know what was going on.
 For some reason, somehow, his hands seem to be tied
 because there are people in this business who should
 not be in it but I think that they are maintaining the
 whole situation. I don't believe, although I don't know
 whereof I speak -- I don't know every aspect of whereof
 I speak -- but I know of two mortgage brokers who I
 would go right down the line with -- they are as honest
 as the day is long and neither of them has seen fit to
 join their Association. So I don't know if the Assoc-
 iation is the answer. These men deliver what they
 advertise. There is no hidden charges -- there's no
 this or no that. Anybody has any questions they would



1 like to ask?

2 MR. SEDGWICK: I was going to ask you one.

3 Are you a member of the Mortgage Brokers' --

4 MR. SINGER: I am not.

5 MR. SEDGWICK: Did you hear Mr. Baillie's
6 brief?

7 MR. SINGER: I did and I commend him on it.

8 MR. SEDGWICK: You agree with it? I don't
9 want you to go over it, but you agree with it?

10 MR. SINGER: Yes, I do.

11 MR. SEDGWICK: And as to the charges that you,
12 as a mortgage broker make, you agree with what he says
13 as to what is usual and proper on first mortgages --
14 about 5% maximum? That would be your practice?

15 MR. SINGER: Well, I'm in the second mortgage
16 business but I would imagine, knowing what I do, that
17 that would be more than adequate, except in the case
18 of a very, very, very small transaction where it
19 wouldn't cover the --

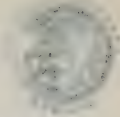
20 MR. SEDGWICK: Yes, and in second mortgages,
21 what is the usual brokerage fee in your experience?

22 MR. SINGER: The usual brokerage fee varies
23 between 5 and 10%.

24 MR. SEDGWICK: Ten percent is the maximum?

25 MR. SINGER: Is the maximum -- there was one
26 man here yesterday who apparently charges considerably
27 more.

28 MR. SEDGWICK: And in the case of yourself,
29 being both a lawyer and a mortgage broker, the degree
30



MR. SINGH: I was going to ask you one.

Are you a member of the Mortgage Brokers' --

MR. SINGH: I am not.

MR. SINGH: And you hear Mr. Ballie's

statement?

MR. SINGH: I did and I commented him on it.

MR. SINGH: You agree with it? I don't

want you to go over it, but you agree with it?

MR. SINGH: Yes, I do.

MR. SINGH: And as to the charges that you

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what is the usual brokerage fee in your experience?

MR. SINGH: The usual brokerage fee varies

between 5 and 10%.

MR. SINGH: The present is the maximum?

MR. SINGH: Is the maximum -- there was one

man here yesterday who apparently charges considerably

more, is that right?

MR. SINGH: And in the case of yourself,

being both a lawyer and a mortgage broker, the charge



1 due legal expenses?

2 MR. SINGER: Well, usually, sir, these
3 mortgages are presented to me by a mortgage broker.

4 MR. SEDGWICK: Oh, I see.

5 MR. SINGER: And he has arranged -- usually
6 they vary between, in our case, six or eight percent.

7 MR. SEDGWICK: That would be his fee, the
8 mortgage --

9 MR. SINGER: Of which we receive usually
10 half.

11 MR. SEDGWICK: Oh, I see. And then you add
12 to that the legal --

13 MR. SINGER: No, that's all absorbed. That's
14 absorbed. Our Company pays us -- it's split up -- of
15 our share, usually $1\frac{1}{2}\%$ unless in the case of a very
16 small loan it's more, plus disbursements goes to one
17 account and the rest goes to another account.

18 MR. SEDGWICK: So that in concrete figures,
19 and let's take a second mortgage of \$5,000 because it's
20 easy for my arithmetic. The total fee charged the
21 borrow would be something between \$300.00 and \$400.00?

22 MR. SINGER: That, in my opinion, it would be
23 my experience, would include about everything. The
24 highest it would ever be would be about \$500.00. This
25 includes everything, fees, disbursements -- everything.

26 MR. SEDGWICK: And legal fees?

27 MR. SINGER: And legal fees and everything.

28 MR. SEDGWICK: Yes. And where you act as the
29 lawyer I take it you would charge on the average
30



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MR. SEDGWICK: And legal fees?

MR. SINGER: And legal fees and everything.

MR. SEDGWICK: Yes. And where you act as the

lender I take it you would charge on the average



1 transaction something like the fee, is that
2 right?

3 MR. SINGER: Well, we never, in my experiences,
4 we never act as the lawyer for the mortgagor.

5 MR. SEDGWICK: You don't.

6 MR. SINGER: If he wants his own Solicitor he
7 has his own.

8 MR. SEDGWICK: For the mortgagee, the searching
9 of the title, you would include all that in the --

10 MR. SINGER: There's always a wage in this
11 composite brokerage fee.

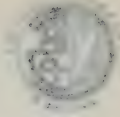
12 MR. SEDGWICK: I see.

13 MR. SINGER: In other words, in the Statement
14 of Mortgage it says inspection fee, bonus, if any, and
15 appraisal fee, legal fees, disbursements, commission.
16 I -- this is one of the occasions when I had to phone
17 Mr. Simone -- it was my practice to instruct the broker
18 with whom I dealt to put all inclusive, and this includes
19 everything. He sent around a little circular thinking --
20 he felt it should be itemized. I felt that it was more
21 important that the man knew that he was signing a
22 mortgage for three thousand dollars, and wasn't back
23 receiving -- was going to get or had disbursed at his
24 direction, twenty-eight hundred dollars. I felt that
25 it was simpler just to say all inclusive.

26 MR. SEDGWICK: This is the brokerage legal --

27 MR. SINGER: Legal fee, everything, every
28 charge possible.

29 MR. SEDGWICK: I take it that, Mr. Singer,
30



transaction something like the fee, in that

which

MR. SINGER: Well, we never, in my experience, we never act as the lawyer for the mortgagor.

MR. SINGER: If he wants his own solicitor he has his own.

MR. SINGER: For the mortgage, the recording of the title, you would include all that in the --

MR. SINGER: There's always a wage in this

MR. SINGER: I see.

MR. SINGER: In other words, in the Statement

of Mortgage it says association fee, bonus, if any, and

appraisal fee, legal fees, disbursements, commission.

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Mr. Stone -- it was my practice to instruct the broker

with whom I dealt to put all inclusive, and this includes

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he felt it should be itemized. I felt that it was more

important that the man knew that he was signing a

mortgage for these various things, and when I came

receiving -- was going to get or not dishonored at his

direction, twenty-eight hundred dollars. I felt that

it was simpler just to say all inclusive.

MR. SINGER: This is the brokerage fee --

MR. SINGER: legal fee, everything, every

charge possible.

MR. SINGER: I gave it that, Mr. Singer,



1 you are registered under the Mortgage Brokers' Act, are
2 you?

3 MR. SINGER: Yes, I am. Rather than there
4 be any confusion as to whether I should be or shouldn't
5 be, I am.

6 MR. SEDGWICK: I was going to ask you about
7 that. I was told that many lawyers are not. But it
8 seems to me that the Act doesn't exempt lawyers.

9 MR. SINGER: No, the regulations don't exempt
10 lawyers. They exempt certain types of insurance
11 companies, I think.

12 MR. SEDGWICK: Yes, that is right.

13 MR. SINGER: But they don't exempt lawyers.
14 Well that -- each lawyer, that's his problem. I don't --

15 MR. SEDGWICK: Or the problem of the Registrar.

16 MR. SINGER: The problem of the Registrar,
17 yes.

18 MR. SEDGWICK: That's all, thank you.

19 MR. IRWIN: I had a couple of questions, Mr.
20 Singer. You are a mortgage broker -- what are the
21 mechanics of your operation acting in the capacity as
22 a mortgage broker? You must find borrowers on the one
23 side and lenders on the other. How do you line these
24 two people up?

25 MR. SINGER: Well, roughly, most of the
26 business the lenders are no problem in my particular
27 situation. They are all -- not all, but about 95% of
28 them -- are members of my personal family so there is
29 no problem -- or friends of the family whom I have
30 known well enough to feel that they are relatives. That



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Q

MR. SIMON: Yes, I am. Whether there be any connection as to whether I should be or shouldn't

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MR. SIMON: That's all, thank you

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MR. SIMON: Well, roughly, most of the business the lenders are no problem in my particular situation. They are all -- not all, but about 95% of them -- are members of my personal family so there is no problem -- on lenders of the family whom I have known well enough to feel that they are reliable. That



1 is what my practice consists of. Most of my business
2 is -- some people may come to me directly. You may
3 come to me directly for a loan, but most of it is
4 presented by other mortgage brokers who are actively
5 engaged in the field of advertising and soliciting
6 business. We try to give them a very good service
7 because we are very fast. We are able to do it and
8 are situated perhaps a little different to say Mr.
9 Baillie in that when a loan is presented to us I, and
10 I alone, make the decision. The ultimate lender who
11 gives the money and gets the mortgage registered in
12 his name, usually relies on my judgment because he may
13 be a doctor or a dentist or a lawyer, another lawyer,
14 or an accountant who has really very little -- doesn't
15 see very many homes and says, "What do I know about it?
16 If you feel it's reasonable well, go ahead."

17 MR. IRWIN: Do you have -- take a figure
18 trying to pin it down -- do you have actually, let's
19 say on hand in a bank account or trust account, \$100,000
20 which is available to be loaned out or do you merely
21 have a list of names of people who have the money, so
22 when Mr. Baillie, for example, comes to you and says,
23 "Here is a situation" -- do you simply pick up the phone
24 and call your --

25 MR. SINGER: There have been times when I
26 have had substantial sums in the bank with people who
27 are leaving town. For example this man may be going to
28 Florida for a holiday, this one may go to Europe and
29 they are prepared to leave it in a bank where he
30



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trying to pin it down -- do you have actually, let's
say on hand in a bank account or fixed account, \$100,000
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and call your --

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have had substantial sums in the bank with people who
are leaving town. For example, this man may be going to
Florida for a holiday, this one may go to Europe and
then may be prepared to leave it in a bank where he



1 receives the interest but I have -- you know, because
2 banks pay interest unless it is a current account -- but
3 I have the right to sign a cheque, draw cheques on
4 that account and he acknowledges that to the bank.
5 Generally speaking, it's a telephone call, but that's all
6 it is.

7 MR. IRWIN: One other question, I'm asking for
8 an opinion on your part. You made the comment that
9 probably the main problem in this whole area is to
10 find some means of discouraging or even preventing
11 the borrow from borrowing beyond his capacity to repay.

12 MR. SINGER: Well, this is a serious
13 problem, yes.

14 MR. IRWIN: I wondered if -- you also mentioned
15 that the extension of time for payment has gone from
16 two to three to five to ten or twelve or fifteen years
17 on second mortgage financing, I gather, and the third
18 thing that you mentioned was that the Statement of
19 Mortgage form should possibly require in bold type--

20 MR. SINGER: In a different colour.

21 MR. IRWIN: This has not paid off. Would it
22 not all be aimed, at least might in part be accomplished,
23 by making it mandatory by legislation that all loans of
24 this kind be totally amortized and be on an amortization
25 basis and be totally amortized over the stated times,
26 three, five, ten or what have you? Would this not in
27 itself --

28 MR. SINGER: No, I'm afraid I would have to
29 disagree with you, sir, because certain institutions
30

... gives the interest but I have -- you know, because
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by making it mandatory by legislation that all loans of
this kind be totally amortized and be on an amortization
basis and be totally amortized over the stated time,
three, five, ten or what have you? Would this not in
itself --

MR. SINGER: No, I'm afraid I would have to
disagree with you, etc., because certainly in situations



1 do not allow or will not grant a particularly easy
2 prepayment privilege. In other words they may want
3 their money working for a year. When I first went
4 into this business second mortgages used to be open
5 after one year upon payment of three months interest
6 as a bonus. Then they were just open after one year.
7 Now I don't know about others -- ours are all open
8 on any payment date with no prepayment penalty. But
9 certain other -- I don't believe under our system --
10 things must be done in such a way. I just think the
11 man must be made aware of the fact. I don't think
12 that they must be done. Certain people may say, "Fine,
13 I don't want it to be prepaid. I know that I have
14 my affairs arranged and at the end of three years I
15 will easily be able to repay it, or at the end of
16 five years". Trust companies for example, insurance
17 companies, certain lenders under NHA will not allow
18 you to prepay your money without a bonus.

19 MR. SEDGWICK: They want their money at work --

20 MR. SINGER: They want their money at work
21 because, you see, they are in fact paid interest on
22 deposits, some of them have debentures and things that
23 pay interest and they want that money at work.

24 MR. IRWIN: This is from the lender's point
25 of view. I was thinking more from the borrower's
26 point of view. Part of the -- yourself and a number
27 of other people seem to have indicated that people
28 get themselves into a spot where they are interested
29 only in the monthly payments and as a result they have
30



do not allow us to have a particularly easy
prepayment privilege. In other words they may want
their money working for a year. When I first went
into this business several months ago to be open
after one year upon payment of these monthly instalment
as a bonus. Then they were here after one year.

Now I don't know about others -- some are all over
on any payment date with no prepayment privilege. But
certainly others -- I don't believe under our system --
change must be made in such a way. I think that
man must be made aware of the fact. I don't think
that they must be done. Certain people may say, "Well,
I don't want it to be prepaid. I know that I have
my status arranged and at the end of three years I
will easily be able to repay it, on the end of
five years". That certainly is an excellent business
company, certain business men will not object
you to prepay your money without a bonus.

MR. SEDGWICK: They want to see money at hand --

MR. SEDGWICK: They want to see money at hand

because, you see, there are in fact paid instalments on
deposits, some of them have been made and others that
pay interest and they want to see money at hand.

MR. SEDGWICK: There is then the interest point

of view. I was thinking not a little of the
point of view. Part of the -- interest and a number
of other people seem to have a feeling about people
get themselves into a good position they are interested
only in the monthly payments and as a result they have



1 ended up by paying only the interest at the end of the
2 time they still owe the principal so they haven't got
3 themselves very far.

4 MR. SINGER: Right.

5 MR. IRWIN: And if, speaking strictly from
6 the borrower's point of view, they disciplined the
7 borrower-- if it were required that all loans be on
8 an amortization basis, then these monthly payments
9 would be forced up and he would --

10 MR. SINGER: Or terms lengthened.

11 MR. IRWIN: He would get out of trouble
12 eventually -- he either --

13 MR. SINGER: I believe that would be the
14 case, although to me it is a little bit of telling
15 people what they must do and what they must not do, but
16 I believe that, generally speaking, perhaps with
17 certain refinements which I can't think of now, that
18 would be the greatest good for the greatest number, yes.

19 MR. BUKATOR: Mr. Singer, if I were to come
20 into your office to borrow \$3,000.00?

21 MR. SINGER: Yes, go ahead.

22 MR. BUKATOR: On a second mortgage for
23 \$3,000.00, or do you discount at that point? I am
24 talking about wanting \$3,000.00 to pay off my debts.

25 MR. SINGER: If you wanted \$3,000.00 -- you
26 needed \$3,000.00 then you would probably sign a
27 mortgage for a larger amount which would include the
28 fees. They would probably be \$3,150 or something of
29 that nature.
30

... up by paying only the interest at the end of the
time they still owe the principal so they haven't got
themselves very far.

MR. THOMAS: And if, speaking strictly from
the borrower's point of view, they defaulted the
borrower-- if it were repaid last, all loans be on
an amortization basis, then these monthly payments
could be forced up and he would --

MR. SIMMONS: Or terms lengthened.

MR. THOMAS: He would get out of trouble

eventually -- he either --

MR. SIMMONS: I believe that would be the
case, although to me it is a little bit of falling
people what they must do and what they want not do, but
I believe that, generally speaking, proceeds with
certain willingness which I can't think of now, that
would be the greatest good for the greatest number, yes.

MR. BURTON: Mr. Simmons, if I were to come

into your office to borrow \$3,000.00

MR. SIMMONS: Yes. Go ahead.

MR. BURTON: On a cash basis, for

\$3,000.00, or do you discount at that point? I am
talking about getting \$2,000.00 in my pocket, yes.
MR. SIMMONS: If you want \$3,000.00 -- yes

needed \$2,000.00 then you would probably have a
mortgage for a larger amount which will include the
fees. They would probably be \$250 or something of
that nature.



1 MR. BUKATOR: And the rate of interest I
2 would have to pay for that second mortgage?

3 MR. SINGER: Would vary between 9% and 12%.
4 It is decidedly, of course, to your advantage not to
5 have a bonus mortgage because when a bonus mortgage
6 is paid off it has to be paid off -- you know what I
7 mean by a bonus -- where the effective rate of interest
8 is 7%, not effective, but face value or true rate of
9 interest is higher but it shows 7% and if you paid
10 that mortgage off in a year or two years or so, if
11 the house wasn't assumed, you would end up paying a five
12 year bonus in, say, one or two years, so it's to
13 your advantage -- the bonus mortgages are almost a
14 thing of the past as are the ~~any~~ mortgages
15 which was discussed prior to this. There's not very
16 many mortgages being sold. Real estate is not sky-
17 rocketing, it's going down. I would venture to say
18 it's value since the high water mark in 1958 has
19 dropped a full 10% if not more. I don't think there
20 is a big business in selling mortgages today. It's
21 lending, consumer lending. In my opinion most of
22 the mortgages that are for sale in the market, which
23 you may see advertised in the paper, are mortgages which
24 were created for the purpose of sale. In other words
25 a speculator bought a house for \$3,000.00 cash or
26 \$6,000.00 cash, put on some pretty fancy mortgages
27 and then sold them with a small down payment to someone
28 who probably can't afford it anyway and this gets his
29 money out by selling out mortgages. Well, those
30



MR. BURTON: And the rate of interest I

would have to pay for that second mortgage?

MR. SINGER: Would vary between 3% and 10%.

It is decidedly, of course, to your advantage not to

have a bonus mortgage because when a bonus mortgage

is paid off it has to be paid off -- you know what I

mean by a bonus -- where the effective rate of interest

is 1%, not effective, but face value on the rate of

interest is higher but it shows 1% and if you paid

that mortgage off in a year or two years or so, if

the house wasn't mortgaged, you would end up paying a five

year bonus in, say, one or two years, so this is

your advantage -- the bonus mortgages are almost a

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many mortgages being sold. Real estate is not very

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it's value since the high water mark in 1929 has

dropped a full 10% or more. I don't think there

is a big business in selling mortgages today. It's

lending, consumer lending. In my opinion most of

the mortgages that are for sale are second, which

you may see advertised in the papers, are mortgages which

were created for the purpose of sale. In other words

a speculator borrows a house for \$1,000.00 cash or

\$5,000.00 cash, but on some pretty heavy mortgages

and then sold them with a small down payment to someone

who probably can't afford to pay and this gets his

money out by selling out mortgages. Well, these



1 mortgages are not true -- they are mortgages that
2 were created for the purpose of sale.

3 MR. SEDGWICK: Or the speculative builder
4 who takes back a second mortgage, does that often
5 happen now?

6 MR. SINGER: Well, as far as builders are
7 concerned, the number is decreasing -- they are falling
8 by the wayside. It's a tough business. Anybody could
9 have made a lot of money after the war being a builder
10 but today you can't. It's rough. And with the low
11 down payments that they are offering today there isn't
12 really too much room for a second mortgage. There are
13 some, but it's not -- I don't think it's a big factor
14 in this business today -- buying second mortgages.

15 MR. SEDGWICK: It was some years ago?

16 MR. SINGER: Well, it was very appealing.
17 As you know there is no capital gains tax in this
18 country and certain people felt this was a capital
19 gain.

20 MR. REILLY: Mr. Chairman, did I understand
21 Mr. Singer to say that most of his business is done
22 with other mortgage brokers rather than directly to
23 the client? Would this be one reason why you could
24 have an all inclusive fee of 5%? Because you don't
25 have to advertise for clients, you are doing business
26 with the mortgage broker direct?

27 MR. SINGER: Oh no, you misunderstood me, sir.
28 Most of the -- the fee is usually set by the mortgage
29 broker. He decides on the fee and he may not deem it
30



mortgages are not true -- they are mortgages that
were created for the purpose of sale.

MR. SHAW: On the opposite side of the
who takes back a second mortgage, does that often
happen now?

MR. SHAW: Well, as far as holders are
concerned, the number is decreasing -- they are falling
by the wayside. It's a tough business. Anybody could
have made a lot of money since the war being a builder
but today you can't. It's rough. And with the low
down payments that they are offering today there isn't
really too much room for a second mortgage. There are
some, but it's not -- I don't think it's a big factor
in this business today -- buying second mortgages.

MR. SHAW: Well, it was very surprising.
As you know there is no capital gains tax in this
country and certain people that own a capital
gain.

MR. SHAW: Mr. Chairman, and I understand
Mr. Singer to say that most of his business is done
with other mortgage holders rather than directly with
the clients. Would that be one reason why you could
have an all inclusive list of who because you don't
have to advertise for clients? You are doing business
with the mortgage broker himself.

MR. SHAW: On the other hand, as far as the mortgage
cost of the -- the fee is usually set by the mortgage
broker. He decides on the fee and he may not deem it



1 advisable to pick up his phone and say that I require
2 a mortgage -- he may decide to place it elsewhere or
3 to place it with a client he knows directly and pocket
4 the whole fee.

5 MR. REILLY: So that most of the mortgage
6 brokers with whom you deal can do it on an all inclusive
7 fee of 5%?

8 MR. SINGER: No -- I would say between 5
9 and 8 percent surely. Five and eight percent. And
10 this does not, when you can stretch it over a ten
11 or fifteen year period, the cost to the borrower is
12 very small if it goes to maturity.

13 MR. MACDONALD: Mr. Singer, most of your
14 views that you have expressed lead me to believe that
15 you share pretty completely the objectives of the
16 OMBA? Why are you not a member then?

17 MR. SINGER: Well, first of all I am a
18 Solicitor -- I don't know whether it would -- whether
19 I should, as a Solicitor belong to it, although I
20 suppose there would be no reason why I couldn't. I
21 feel that the Association --

22 MR. MACDONALD: It might have been an unfair
23 question but I am curious to find out why --

24 MR. SINGER: I feel that it is not the answer.

25 MR. MACDONALD: Well, if I am correct in my
26 earlier general statement that one of two approaches
27 are the answer, either by self regulation through some
28 sort of a trade organization, if I can call it that,
29 or alternatively, the government has got to step in
30



advantage to put up his place and say that I had
a mortgage -- he may decide to place it elsewhere or
to place it with a client he knows directly and pay the
the whole fee.
MR. BELMONT: So what part of the mortgage
breaks with you deal can do it or on all initiative
fee of \$25?
MR. STINGER: No -- I would say between 5
and 8 percent usually. Five and eight percent. And
that does not, when you can structure it over a term
or fifteen year period, the cost to the borrower is
very small if it goes to maturity.
[REDACTED]
views that you have expressed lead me to believe that
you share pretty completely the objectives of the
[REDACTED] Why are you not a member there?
MR. STINGER: Well, first of all I am a
Solomon -- I don't know whether it would -- whether
I should, as a Solomon being in it, although I
suppose there would be no reason why I couldn't. I
feel that the [REDACTED] --
MR. [REDACTED]: I would have been an unfair
question but I am [REDACTED] to [REDACTED] --
MR. [REDACTED]: I feel that it is an [REDACTED] answer.
MR. [REDACTED]: [REDACTED] to [REDACTED] in my
earlier general statement that [REDACTED] [REDACTED]
and the answer, [REDACTED] by [REDACTED] [REDACTED] [REDACTED]
sent at a [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
or alternatively, the Government has not [REDACTED] in

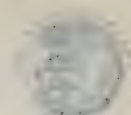


1 and more and more regulate. I think you would agree
2 that it would be better done on a self regulating
3 basis. How are you going to get your self regulation
4 if the mortgage brokers don't get in. I'm curious
5 to find out why the OMBA --

6 MR. SINGER: Frankly, the thought never
7 crossed my mind that I would have anything to do with
8 it and you are asking me questions which I really don't
9 have answers to at this time. I personally never
10 felt with the people I dealt with that there was
11 need of that form of self discipline. If it's for
12 the good of the public I would probably do it. I
13 believe that the situation is really -- I believe
14 the situation is grossly exaggerated, that people
15 just need to get rid of a few bad eggs and that's it.
16 I don't believe that we need any strong regulations.
17 I believe that --

18 MR. MACDONALD: In effect you are saying
19 that if Mr. Simone had more strength to deal with the
20 few bad actors you wouldn't need the OMBA?

21 MR. SINGER: Well, every organization has
22 a use -- it may have certain functions. I don't
23 believe that it should be the regulatory guard. You
24 know I believe that Mr. Simone should. Or with -- I
25 don't believe any Civil Servant should have that much
26 power, but I mean, as I said, there was two companies
27 that I knew of, this Allegheny and I think one was
28 called Packard or something like that. They are not
29 in business today. They are not advertising -- well,
30



and more and more people. I think you would agree

that it would be better done as a self-regulating

body. Now are you going to get your own regulation

in the mortgage business? It gets me. I'm curious

to find out why you want --

MR. STANLEY: Frankly, the financial market

crossed my mind that I would have something to do with

it and you are asking me questions which I really don't

have answers to at this time. I personally never

lost with the people I dealt with that there was

need of that form of self-regulation. It is for

the good of the public I would have it. I

believe that the situation is really -- a belief

the situation is greatly exaggerated. These people

just need to get rid of a few bad eggs and that is

I don't believe that we need any strong regulations.

I believe that --

MR. STANLEY: It is all right and you are saying

that if Mr. Starn had more authority to deal with the

few bad eggs you wouldn't need this system.

MR. STANLEY: Well, really, that is all I am

saying -- it may seem a little simple. I don't

believe that it should be the regulator's business. You

know I believe that Mr. Starn is a very good man -- I

don't believe any other person could have that much

power, but I don't see how it can be done without

that I know of. I think all right and I think one way

called Federal or something like that. That is the

in business today. That is the situation -- well,



1 they are out of business. Put the bad actors out of
2 business and they won't -- I have never seen the
3 Toronto Real Estate Board -- there are plenty of real
4 estate brokers in my opinion or offers to purchase that
5 have come into my office that have been presented by,
6 drawn by, members of the Real Estate Board and I have
7 never seen them. They have given the answer to
8 everything -- this is probably a step in the right
9 direction.

10 MR. BELANGER: Mr. Chairman, I am quite
11 interested in this gentleman saying that what he was
12 concerned about is that people are not able to pay or
13 carry on their payments. I want to ask you people,
14 being in this business, whether you ever consider the
15 attitude of the people going to you to borrow money
16 and you know, when you hear all the facts and so forth
17 what they have to pay and you hear that they had
18 sickness or else that they had lost a father or
19 something like that, do you ever advise them that
20 perhaps the best thing for them to do is to get rid
21 of their property?

22 MR. SINGER: First thing. "Sell that house
23 while you've got it." Usually I preface my remarks
24 with a little bit of sarcasm -- not sarcasm but, "You
25 probably won't take this advice" and I know they don't
26 because very often I'm at the Registry Office and I
27 see this name, and some of them are the type of names
28 I remember, Joe Blow loaned to another company -- he
29 has gone somewhere else. "Sell this house and get
30



they are out of business. But the fact alone that
business and they won't -- I have never seen the
Toronto Real Estate Board -- there are plenty of real
estate brokers in my opinion or others in business that
have come into my office that have been promised by
them by members of the Board that I have
never seen them. They have given the answer to
everything -- that is probably a very long time.

Mr. McLaughlin. Mr. McLaughlin, I am quite
interested in your statement and I am sure he was
concerned about it that people who are able to pay or
carry on their property. I want to ask you people,
being in this business whether you ever consider the
attitude of the people going to you to borrow money
and you know, when you have all the facts and so forth
that they have to pay and you know that they had
sickness or other things that had a lot of
concerned like that, do you ever advise them that
perhaps the best thing for them to do is to pay
of their property?

Mr. McLaughlin. I don't know. I don't know
while you've got it. I don't know if you ever
with a little bit of security -- I don't know if you
probably won't take this advice -- I don't know if you
because very often I see the Real Estate Board and I
see the same kind of thing in the type of names
I remember. Joe Glick seemed to me like a company -- he
was gone somewhere else. I don't know and get



1 yourself into some sort of an apartment". They drive
2 out in Scarboro -- I see them all the time, you know --
3 two bedrooms even if you are crowded for 85 a month,
4 or something like that. Start over again, an NHA
5 mortgage -- we know it's a small down payment. Sell it
6 while you've got something.

7 MR. BELANGER: (Voice inaudible)

8 MR. SINGER: In some respects, yes. You see,
9 most people obviously don't have the experience that
10 I do, or someone else, because I'm in this business
11 day in and day out. I mean, it's been my experience
12 that most people who come to borrow money, mortgage
13 their homes to go into business. I always advise
14 them against it because they usually are going in
15 underfinanced. Now, I know you can point to certain
16 people in this City who have gone in on a shoestring
17 and have made -- well, they may perhaps be driving
18 around in a Cadillac or something like that -- but
19 they are few and far between. People don't realize
20 that. Ususally if I see a man prepared to give up
21 a good job, not a high paying job but he's got security
22 and he's got a pension -- he wants to go into business
23 and he's prepared to mortgage his house -- I advise
24 him against it. Usually in his enthusiasm he won't
25 have his ardor downed and he goes somewhere else.
26 Usually these are the people who go bankrupt because
27 they are underfinanced and inexperienced.

28 MR. BELANGER: (Voice inaudible)

29 MR. SINGER: No. Any other questions, gentle-
30 men?



yourself into some sort of an apartment. They drive
 out in 2000 -- I don't know all the time, you know --
 two bedrooms even if you are wanted for 25 a month
 or something like that. It's over 2000 in this
 mortgage -- we know it's a small down payment. Sell it

MR. [Name] (Voice [Name]):

MR. [Name]: In some respects, yes. You see,
 most people obviously don't have the experience with
 I do, or someone else, because I'm in this business
 day in and day out. I mean, it's been an experience
 that most people who come to some way, mortgage
 their homes to go into business. I think about
 them and it's because they usually are going in
 underhand. Now, I know you are going to say
 people in this City who come here to do a business
 and have made -- well, that may perhaps be driving
 around in a Cadillac or something like that -- but
 they are not the business. Because most of the
 time, usually in 7 or 8 years they are prepared to go on
 a good job, not a high job, but not one of necessity
 and he's got a position -- he wants to go into business
 and he's prepared to mortgage his home -- I think
 him against it. I mean, if he is not, he won't
 have his name down and he won't be able to
 handle these things. People who go into business because
 they are interested and they are

MR. [Name] (Voice [Name]):

MR. [Name]: Not any other question. Good-



1 THE CHAIRMAN: Well, we appreciate very
2 much you coming here this morning, Mr. Singer, and
3 your brief was very interesting and very valuable to
4 the Committee.

5 MR. SINGER: Thank you very much.

6 THE CHAIRMAN: Gentlemen, that's -- is Mr.
7 Latimer here this morning?

8 SPEAKER: There was a mix-up. I don't
9 believe he --he thinks he's going to be here tomorrow.

10 THE CHAIRMAN: Fine. Yes, that was the
11 arrangement and it was partially our fault that he
12 wasn't here today. Gentlemen, that's all. The
13 meeting will adjourn until two o'clock.

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THE CHAIRMAN: Well, we appreciate very

much you coming here this morning, Mr. Egan, and
your brief was very interesting and very valuable to

MR. EGAN: Thank you very much.

THE CHAIRMAN: Gentlemen, please -- in Mr.

STANLEY: There was a mix-up. I don't

believe he -- he thinks he's going to be here tomorrow.

THE CHAIRMAN: And it was particularly our fault that he

wasn't here today. Gentlemen, thank you all. The

meeting will adjourn about two o'clock.



1 ---ON COMMENCING AT 2:00 P.M.

2 THE CHAIRMAN: Gentlemen, the first person we
3 will hear from this afternoon is Mr. A. Feldman of
4 Residential & Commercial Investments Limited. Is Mr.
5 Feldman here? Sit down Mr. Feldman. So far as I know
6 you don't have any written brief for the Committee?

7 MR. FELDMAN: No, I haven't.

8 THE CHAIRMAN: Would you like to make a
9 statement at the outset?

10 MR. FELDMAN: No, I am here to answer questions.

11 THE CHAIRMAN: All right.

12 MR. SEDGWICK: Mr. Feldman, I only have a few.
13 Your company is, I believe, Residential Finance Limited,
14 is that right?

15 MR. FELDMAN: Yes, that's correct.

16 MR. SEDGWICK: How long has that company been
17 in operation?

18 MR. FELDMAN: Residential Finance has been in
19 operation under our control for about two years... the
20 company that was purchased ... the charter that was
21 purchased, at least.

22 MR. SEDGWICK: Had you been in the mortgage
23 brokerage business or financing business prior?

24 MR. FELDMAN: Yes.

25 MR. SEDGWICK: Prior to Residential Finance
26 Limited?

27 MR. FELDMAN: Yes.

28 MR. SEDGWICK: Under what name were you
29 operating?
30



THE CHAIRMAN: Good afternoon, the first person we

will hear from this afternoon is Mr. A. Feldman of
Residential & Commercial Investments Limited, is Mr.
Feldman here? All right Mr. Feldman, so far as I know
you don't have any written brief for this Committee?

MR. FELDMAN: No, I haven't.

THE CHAIRMAN: Would you like to make a

statement at the outset?

MR. FELDMAN: No, I am here to answer questions.

THE CHAIRMAN: All right.

MR. SEDGWICK: Mr. Feldman, I only have a few.
Your company is, I believe, Residential Finance Limited,
is that right?

MR. FELDMAN: Yes, that's correct.

MR. SEDGWICK: How long has that company been

in operation?

MR. FELDMAN: Residential Finance has been in
operation under our control for about two years... the
company that was purchased... the reason that was
purchased, at least.

MR. SEDGWICK: Had you been in the mortgage

business before the purchase of Residential Finance?

MR. FELDMAN: Yes.

MR. SEDGWICK: Prior to Residential Finance

business?

MR. FELDMAN: Yes.

MR. SEDGWICK: Under what name were you

operating?



1 MR.FELDMAN: We operated under Guelph Invest-
2 ments -- out of Guelph and also under Barfried Enter-
3 prises Limited.

4 MR. SEDGWICK: Barfried Enterprises.

5 MR. FELDMAN: Right.

6 MR. SEDGWICK: Barfried, I believe, was the
7 Company that challenged the validity of the Unconscionable
8 Transactions Act, is that right?

9 MR. FELDMAN: That is right.

10 MR. SEDGWICK: And is that Company no longer
11 in operation?

12 MR. FELDMAN: It is in operation although we
13 are no longer advertising under that since they are
14 moving our office to Toronto.

15 MR. SEDGWICK: Do you, at the present time,
16 have a Toronto office?

17 MR. FELDMAN: Yes, we do.

18 MR. SEDGWICK: And also a Guelph office?

19 MR. FELDMAN: No. As of July 1st we moved
20 our complete operation to Toronto.

21 MR. SEDGWICK: And you deal in both first and
22 second mortgages?

23 MR. FELDMAN: That's right.

24 MR. SEDGWICK: Both first and second. Do you
25 have any standard rates of first mortgages -- let's take
26 first mortgages first?

27 MR. FELDMAN: No, we are -- mortgage appli-
28 cations are taken as I believe most other brokers are.
29 We take a look at first the security and then we try and
30 find the best outlook for the funds available for the



prices limited.

MR. SEDGWICK: Purchased Properties

MR. SEDGWICK: Purchased, I believe, was the

Company that challenged the validity of the Unconscionable

Transactions Act, is that right?

MR. FREEDMAN: That is right.

MR. SEDGWICK: And is that company no longer

in operation?

MR. FREEDMAN: It is in operation although we

are no longer advertising under that since they are

moving our office to Toronto.

MR. SEDGWICK: Do you, at the present time,

have a Toronto office?

MR. FREEDMAN: Yes, we do.

MR. SEDGWICK: And also a Quebec office?

MR. FREEDMAN: No. As of July last we moved

our complete operation to Toronto.

MR. SEDGWICK: And you deal in both first and

second mortgages?

MR. FREEDMAN: That's right.

MR. SEDGWICK: Both first and second. Do you

have any standard rates of first mortgages -- first loans

first mortgages loans?

MR. FREEDMAN: No, we are -- mortgages appli-

cations are taken as I believe most other brokers are.

We take a look at first the security and then we try to

find the best outlook for the funds available for the



1 borrower.

2 MR. SEDGWICK: I was going to ask you that.

3 Where, ordinarily, do you get your funds?

4 MR. FELDMAN: Primarily in our second mortgage
5 loans are private funds. Our first mortgage loans can
6 either be private or conventional.

7 MR. SEDGWICK: By conventional do you mean
8 that you apply to trust companies or lending organizations
9 of that kind?

10 MR. FELDMAN: Right.

11 MR. SEDGWICK: And about what is the rate of
12 first mortgage money at this time?

13 MR. FELDMAN: Well, Mr. Sedgwick, I think in
14 all fairness, to answer that question I would think that
15 there is a lot of differences in first mortgages.

16 MR. SEDGWICK: What would the range be on
17 first mortgages?

18 MR. FELDMAN: You are talking about local city
19 property, sir, or --?

20 MR. SEDGWICK: Yes.

21 MR. FELDMAN: Well, I would say that anywhere
22 in the vicinity of $6\frac{1}{2}$ to 12% depending on the security
23 in the equities.

24 MR. SEDGWICK: I am looking at the record made--
25 in the record of the Residential Finance Limited and I
26 would like to read you a paragraph -- you say, "Our
27 company may accept any mortgage where there is equity
28 and the proper rate of interest charged. Our interest
29 is simple interest calculated semi-annually, not in
30



MR. SUDOWITZ: I was going to ask you that.

Where, ordinarily, do you get your funds?

MR. FELDMAN: Primarily in our second mortgage

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either be private or conventional.

MR. SUDOWITZ: By conventional do you mean

that you apply to trust companies or lending organizations

of that kind?

MR. FELDMAN: Right.

MR. SUDOWITZ: And what is the rate of

first mortgage money at this time?

MR. FELDMAN: Well, Mr. Sudowitz, I think in

all fairness, to answer that question I would think that

there is a lot of differences in first mortgages.

MR. SUDOWITZ: What would the range be on

first mortgages?

MR. FELDMAN: You are talking about level city

property, sir, or --

MR. SUDOWITZ: --

MR. FELDMAN: Well, I would say that anywhere

in the vicinity of 6 1/2 to 12% depending on the security

in the situation.

MR. SUDOWITZ: I am looking at the record and --

in the record of the Residential Finance Limited and I

would like to read you a paragraph -- You say, "Our

company may accept any mortgage where there is equity

and the proper rate of interest charged. Our interest

is always interest calculated semi-annually, not in



1 advance. Basically we can accept first mortgages up to
2 70% of the valuation." Would that be a fair statement?

3 MR. FELDMAN: Yes.

4 MR. SEDGWICK: And is that about the practice
5 of the larger lending companies at this time -- up to
6 65 or 70%?

7 MR. FELDMAN: Yes, I believe that is true.

8 MR. SEDGWICK: And you go on to say, "Example--
9 house valued at \$10,000.00, we will accept up to \$7,000.00
10 depending on credit report, etc." but naturally you can
11 go to \$5,000.00 -- it would be easier to accept. Then
12 the letter continues, "Our rates on first mortgages are
13 from 12 to 15% simple interest, depending on the element
14 of risk. Our mortgages are five year term with either
15 five or ten year amortization depending on the payments,
16 open after one year without notice or bonus. We would
17 like to average 14 if possible" -- that means 14%. Is
18 that a fair statement of your policy with respect to
19 first mortgages?

20 MR. FELDMAN: Well, Mr. Sedgwick, --

21 MR. SEDGWICK: Look at it this way -- is it
22 your statement?

23 MR. FELDMAN: It could be my statement. What
24 I was going to ask way, I would like to know who the
25 letter was sent to as to the area.

26 MR. SEDGWICK: You may look at it. It's a
27 circular letter and it commences, "This is to confirm
28 our meeting of blank, to explain how we write mortgages
29 and purchase existing mortgages or agreements for sale."
30



...of the ...

...and is that about the ...

...

MR. ...: Yes, I believe that is true.

MR. ...: And you go on to say, "Example--

house valued at \$10,000.00, we will accept up to \$7,000.00

depending on credit report, etc." But naturally you can

go to \$5,000.00 -- it would be better to accept. That

the letter continues, "Our rates on fixed mortgages are

from 12 to 15% simple interest, depending on the amount

of risk. Our mortgages are five year terms with either

five or ten year amortization depending on the payments,

open after one year without notice on houses. We would

like to average 14 if possible" -- that means 14%. Is

that a fair statement of your policy with respect to



1 It's a mimeographed letter -- a mimeographed form. Do
2 you recall it?

3 MR. FELDMAN: No, I don't.

4 MR. SEDGWICK: Would you like to look at it?

5 MR. FELDMAN: I would like to look at it. My
6 question was that it all depends on which area -- some of
7 these letters were sent to rural areas such as Owen Sound
8 or Sudbury -- outlying areas of Sudbury. I would not
9 say that this would be our type of letter to be sent to
10 newspapers or a local buyer in a metropolitan area.

11 MR. SEDGWICK: Do you have any similar letter
12 to brokers in the metropolitan area?

13 MR. FELDMAN: Well, most of the brokers in
14 metropolitan areas are first covered by our men in direct
15 contact.

16 MR. SEDGWICK: Do you do a great deal of this
17 on the south side of Guelph and the Toronto metropolitan
18 area?

19 MR. FELDMAN: Yes, we do.

20 MR. SEDGWICK: About what percent of your
21 business?

22 MR. FELDMAN: Over 90%

23 MR. SEDGWICK: Is done outside of Toronto,
24 is that right, is that right? Outside of Toronto and
25 Guelph?

26 MR. FELDMAN: Yes.

27 MR. SEDGWICK: And taking Sudbury, because it
28 is your example, would about 12 to 15% on first mortgages
29 be about the rule of proper rate in Sudbury?

30 MR. FELDMAN: In the outlying areas of Sudbury



1. I am enclosing letter -- a Minneapolis letter. Do

2. you recall it?

3. MR. WELLS: No, I don't.

4. MR. SEDGWICK: Would you like to look at it?

5. MR. WELLS: I would like to look at it.

6. question was that it is depends on which area -- some of

7. these letters were sent to rural areas such as Owen Sound

8. or Sudbury -- outlying areas of Sudbury. I would not

9. say that this would be our type of letter to be sent to

10. newspapers or a local paper in a metropolitan area.

11. MR. SEDGWICK: Do you have any similar letter

12. to problems in the metropolitan areas?

13. MR. WELLS: Well, most of the problems in

14. metropolitan areas are first covered by our met in direct

15. contact.

16. MR. SEDGWICK: Do you do a great deal of this

17. on the south side of Quebec and the Toronto metropolitan

18. areas?

19. MR. WELLS: Yes, we do.

20. MR. SEDGWICK: About what percent of your

21. business?

22. MR. WELLS: Over 90%.

23. MR. SEDGWICK: Is some outside of Toronto?

24. Is that right, is that right? Outside of Toronto and

25. Quebec?

26. MR. WELLS: Yes.

27. MR. SEDGWICK: And including Sudbury, because it

28. is an example, would about 10 to 15% of your business

29. be about the role of proper name in Sudbury?

30. MR. WELLS: In the outlying area.



1 it's feasible.

2 MR. SEDGWICK: You don't say anything about
3 outlying areas -- then let me go on. Do you do a large
4 business in second mortgages?

5 MR. FELDMAN: Yes.

6 MR. SEDGWICK: Roughly and percentagewise,
7 what proportion of your business would be in second
8 mortgages as compared to first mortgages? 60-40, 70-30?

9 MR. FELDMAN: I am, of course, guessing at
10 this stage. I would think probably a 60-40 split would
11 be --

12 MR. SEDGWICK: Then this document proceeds,
13 "Second mortgages can be accepted up to 85% of the
14 valuation. Example, house valued at \$10,000.00, first
15 mortgage \$5,000.00, we will accept up to \$3,500.00
16 second mortgages, also depending on credit report, etc."--
17 but naturally a mortgage at \$2,500.00 would be easier to
18 accept. Then the letter continues, "Our rates on second
19 mortgages are from 15 to 18% depending on the risk
20 involved. Again the same five year loan with either a
21 five or ten year amortization open after one year
22 without notice or bonus. We would like to average 16%
23 where possible." Is that your aim to get about 16%
24 average on second mortgages?

25 MR. FELDMAN: I would say again depending on
26 the area.

27 MR. SEDGWICK: Then you go on to say, and this
28 I assume is dependent on the area, "We charge 10%
29 brokerage fees on residential properties and 5% on
30



10-11-1934

MR. SEDGWICK: You don't say anything about

outlying areas -- then let me go on. Do you do a large

business in second mortgages?

MR. WILLIAMS: Yes.

MR. SEDGWICK: Roughly and approximately,

what proportion of your business would be in second

mortgages as compared to first mortgages? 60-40, 70-30?

MR. WILLIAMS: I am, of course, speaking of

this stage. I would think probably a 60-40 split would

be --

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"Second mortgages can be accepted up to 85% of the

valuation. Example, house valued at \$10,000.00 first

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mortgages are from 15 to 18% depending on the risk

involved. Again the same five year term with either a

five or ten year amortization open after one year

without notice or bonus. We would like to average 15%

where possible." Is that your aim to get about 15%

average on second mortgages?

MR. WILLIAMS: I would say again depending on

the area.

MR. SEDGWICK: Then you go on to say, and this

I assume is dependent on the area. "The average 15%

brokerage fees on residential properties and 5% on



1 commercial properties over \$20,000.00. Under that
2 amount, a charge of 10%. Legal fees up to \$9,000.00 is
3 \$25.00, over that legal fees of 1% of the face amount of
4 the mortgage, although we lay down the above rates, we
5 can be flexible." Is that a fair statement of your
6 policy?

7 MR. FELDMAN: Yes, I believe so.

8 MR. SEDGWICK: So that on a \$5,000.00
9 residential property you would charge ordinarily 10%,
10 is that correct?

11 MR. FELDMAN: Yes, we would charge 10%, Mr.
12 Sedgwick, depending again on the availability of
13 obtaining the funds for the particular borrower.

14 MR. SEDGWICK: You might charge more?

15 MR. FELDMAN: No, we wouldn't charge more, we
16 may charge less.

17 MR. SEDGWICK: Would you charge the 10% on
18 either first or second mortgages?

19 MR. FELDMAN: Again depending on the particular

20 --

21 MR. SEDGWICK: I observe there is nothing in
22 your letter about being dependent on -- you say you
23 charge 10% -- then you go on to say you can be flexible.
24 Do you sometimes charge under 10%?

25 MR. FELDMAN: Many times.

26 MR. SEDGWICK: What do you charge as a minimum?

27 MR. FELDMAN: As a minimum? 1%.

28 MR. SEDGWICK: Those would be cases, I suppose,
29 where you shop the mortgage to a lending institution,
30



commercial properties over \$20,000.00. Under that amount, a charge of 10%. Legal fees up to \$2,000.00 is \$25.00, over that legal fees of 1% of the total amount of the mortgage, although we lay down the above rates, we can be flexible." Is that a fair statement of your policy?

MR. KILMAN: Yes, I believe so.

MR. KILMAN: Is that on a \$2,000.00 residential property you would charge ordinarily 10% is that correct?

MR. KILMAN: Yes, we would charge 10%, Mr.

SEWICK: Depending again on the availability of

lending the funds for the particular borrower

MR. SEWICK: You might charge money

MR. KILMAN: No, we wouldn't charge more, we

may charge less.

MR. SEWICK: Would you charge the 10% on

other first or second mortgages?

MR. KILMAN: Again depending on the particular

MR. SEWICK: I observe there is nothing in

your letter about being dependent on -- you say you

charge 10% -- then you go on to say you can be flexible.

Do you sometimes charge under 10%?

MR. KILMAN: Many times.

MR. SEWICK: What do you charge as a minimum?

MR. KILMAN: As a minimum 10%

MR. SEWICK: Where would we charge, I suppose,

where you charge the mortgage to a lending institution.



1 is that right?

2 MR. FELDMAN: When we are writing the
3 application, we feel that it is a mortgage for a lending
4 institution, yes.

5 MR. SEDGWICK: Then you get 1% from the
6 borrower?

7 MR. FELDMAN: Right.

8 MR. SEDGWICK: Do you also get 1% from the
9 lender, in some cases?

10 MR. FELDMAN: In some cases, yes.

11 MR. SEDGWICK: So that in some cases where
12 you charge 1%, you get 1% from the borrower and 1% from
13 the lender, is that right?

14 MR. FELDMAN: Yes.

15 MR. SEDGWICK: So that you would get 2%? And
16 that would be on prime securities?

17 MR. FELDMAN: Right.

18 MR. SEDGWICK: So that your rate is worked up
19 from that?

20 MR. FELDMAN: That's right.

21 MR. SEDGWICK: Then the letter goes on, I might
22 as well read it all. It is obvious it is a letter to
23 people who want to encourage the arrangements. "I have
24 filled out Statement of Mortgage forms so that you may
25 have a working example. The application and the work-up
26 sheet are self-explanatory. I will request that when you
27 write the deal you secure as much information as possible--
28 bank, fire insurance being of particular importance,
29 along with the deed of mortgage and copies thereof. I
30 would further request you give us such details as the



IN THE COURT OF THE COMMONS

MR. BELLMAN: When we are writing the

specification, we feel that it is a mortgage for a building

PROPERTY, and that

MR. SEDGWICK: Then, you get it from the

bank?

MR. BELLMAN: Right.

MR. SEDGWICK: Do you also get it from the

lender, in some cases?

MR. BELLMAN: In some cases, yes.

MR. SEDGWICK: So that in some cases where

you charge it, you get it from the lender and the bank

the lender, is that right?

MR. BELLMAN: Yes.

MR. SEDGWICK: So that you would get it, and

that would be on prime securities?

MR. BELLMAN: Right.

MR. SEDGWICK: So that you are in a position to

from that?

MR. BELLMAN: That's right.

MR. SEDGWICK: Now, if we have a mortgage, is that

as well as it is? Is it a mortgage? Is it a letter of

people who want to encourage the mortgage market? I have

filled out a statement of mortgage loans so far as they

have a working example. The question is, how many

would be willing to do it? I will tell you that when you

write the deal you are in a position to make a mortgage

bank, the mortgage being of particular importance,

along with the kind of mortgage and under what.

I would further request you give us such details as the



1 condition of your property, location etc., if it is
2 available. All of the above will assist us in
3 accepting the deal in the shortest possible time. It
4 is necessary when sending a deal in that we receive
5 two copies of the work-up sheet, three of the application
6 and three of the Statement of Mortgage. The customer
7 must also receive a copy of any form that he signs and
8 two pages of the copy when possible plus a written credit
9 report from the Credit Bureau. We will also require
10 on a separate sheet of your stationery a tabulation of
11 the property re the value of the property for resale."
12 And then this, "We will, at the completion of the mortgage
13 send you a cheque for your commission which will be in
14 the amount of 40% of the total charged on residential
15 properties as 30% of that on commercial properties."

16 Do I take it from that whatever your commission
17 would be, you would split it with your subagent in that
18 section, is that correct?

19 MR. FELDMAN: That's right sir.

20 MR. SEDGWICK: That is, if your commission
21 is \$100.00 on a residential property, you give \$40.00 to
22 the subagent, and in the case of commercial property,
23 of the \$100.00 you would give 30%?

24 MR. FELDMAN: Yes.

25 MR. SEDGWICK: The next section reads, "Because
26 it's favourable to you, remember to keep the customer's
27 welfare in mind at all times, make sure you give their
28 payments . . . We often accept mortgages
29 on equity only, regardless of the customer's past
30



condition of your property, location and, in the

available. All of the above will assist us in

conducting the deal in the shortest possible time. It

is necessary when sending a deal in that we receive

two copies of the work-up sheet. One of the application

and three of the statement of mortgage. The statement

must also receive a copy of any form that we sign and

two pages of the copy when possible plus a written profit

report from the credit Bureau. We will also require

on a separate sheet of your statement of net worth.

"the property is the value of the property for taxes."

and then state, "We will, at the completion of the mortgage

and you a check for your commission which will be in

the amount of 10% of the total amount of residential

properties, as 10% of that in commercial properties."

Do I take it from that whenever you commission

would be, you would split it with your agent in that

event, is that correct?

MR. BROWN: That's right sir.

MR. BROWN: That is, if your commission

is \$100.00 on a residential property, you give \$50.00 to

the subject, and in the case of commercial property,

of the \$100.00 you would give 50

MR. BROWN: Yes.

MR. BROWN: The next section of the "Business

it's favorable to you, however, we have the understanding

waiver in mind at all times, and you have your

payments. We expect to get mortgages

on equity only, regardless of the amount of cash



1 credit record and also we accept mortgages on slim
2 equity and good credit reports, so send all applications
3 to us to either accept or decline them. Also, if the
4 customer wants the mortgage open after six months
5 without notice or bonus, this can be arranged on fine
6 deals." Mr. Feldman, taking a concrete example of a
7 first mortgage of say \$5,000.00, your charge would be
8 10% -- would be \$500.00, is that right?

9 MR. FELDMAN: That's right, sir.

10 MR. SEDGWICK: Then there would be \$95.00 in
11 legal fees, is that right?

12 MR. FELDMAN: That's right.

13 MR. SEDGWICK: Would there be any other fees
14 or charges?

15 MR. FELDMAN: None whatsoever.

16 MR. SEDGWICK: And would that commission and
17 legal fee be deducted at the top -- that is, the \$5,000.00
18 mortgage would be subject to a deduction of \$595.00 in
19 the example I gave?

20 MR. FELDMAN: That's right, sir.

21 MR. SEDGWICK: And interest, of course, would
22 be paid on the \$5,000.00. Do you insure your mortgages?

23 MR. FELDMAN: Life insurance?

24 MR. SEDGWICK: Yes.

25 MR. FELDMAN: No, we don't.

26 MR. SEDGWICK: You don't. Neither first nor
27 second?

28 MR. FELDMAN: None whatsoever.

29 MR. SEDGWICK: I am looking at one of your
30



credit record and also we accept mortgages on all
equity and good credit reports, so need all applications
to us to either accept or decline them. Also, if the

customer wants the mortgage cash after all, making
without notice or bonus, this can be arranged on the
basis." Mr. Feldman, taking a concrete example of a
first mortgage of say \$5,000.00, your charge would be

10% -- would be \$500.00, is that right?

MR. FELDMAN: That's right, yes.

MR. SADOWSKI: Then there would be \$500.00 in

legal fees, is that right?

MR. SADOWSKI: Would there be any other fees

or charges?

MR. FELDMAN: None whatever.

MR. SADOWSKI: And would that commission and

legal fee be deducted at the top -- that is, the \$5,000.00
mortgage would be subject to a deduction of \$500.00 in

the example I gave?

MR. FELDMAN: Yes, that's right.

MR. SADOWSKI: And interest, of course, would

be paid on the \$5,000.00. Do you mean your mortgage

MR. FELDMAN: I'm not sure.

MR. SADOWSKI: Yes.

MR. FELDMAN: No, no doubt.

MR. SADOWSKI: You don't know what time that

MR. FELDMAN: Now, the answer.

MR. SADOWSKI: I am looking at one of your



1 ---it reads, "Attention - have bi-monthly payments got
2 you down? Do you need cash? Is your mortgage coming
3 due? Are you tired of paying high interest (voice
4 inaudible) -- Why don't you get a low cost, first or
5 second home owner's mortgage loan?" Then it goes on,
6 "Borrow \$1500, you pay only \$28.55 a month." You give
7 examples now with a first mortgage -- "Borrow \$2300,
8 repay over five years \$15.83, repay 10 years \$36.48 --
9 a month, I take it, -- then the balance at the end of
10 the term nil." Taking that as an example, do you attempt
11 to amortize all your mortgage loans over that term?

12 MR. FELDMAN: We always work on monthly payments
13 or an amortization plan. We may amortize anywhere from
14 five to ten years with the mortgage coming due in five
15 years. This is done mainly because it's a lot easier
16 for our agents to calculate the balance owing at the end
17 of a certain period of time.

18 MR. SEDGWICK: Well then, in that case there is
19 going to be a balance at the end of the five years, is
20 that right?

21 MR. FELDMAN: In some plans, sir. You said
22 the balance owing at the end of five years nil, but
23 that's a --

24 MR. SEDGWICK: What I am getting at is, some-
25 thing has been said to this Committee about the evil of
26 balloon payments at the end -- of the difficulty that
27 the borrower has in meeting that balloon payment. Do
28 you have mortgages of that kind?

29 MR. FELDMAN: Yes, we do and we feel, as far
30



---it reads, "Attention - have bi-monthly payments on
you down? Do you need cash? Is your mortgage coming
due? Are you tired of paying high interest (and
fraudster) -- Why don't you get a low cost, first or
second home owner's mortgage loan? Then it goes on,
"Borrow \$1500, you pay only \$25 a month." You give
examples now with a first mortgage -- "Borrow \$2300,
repay over five years \$15.34, nearly 10 years \$20.46 --
a month. I take it, -- then the balance at the end of
the term nil." Taking that as an example, do you attempt
to amortize all your mortgage loans over that term?
MR. PHILLMAN: We always work on monthly payments
on an amortization plan. We may amortize anywhere from
five to ten years with the mortgage coming due in five
years. This is done mainly because there is not easier
for our agents to calculate the balance owing at the end
of a certain period of time.
MR. SENEWICK: Well then, in that case there is
going to be a balance at the end of the five years, is
that right?
MR. PHILLMAN: In some places, sir, you said
the balance owing at the end of five years nil, but
that's a --
MR. SENEWICK: When I am talking to you, a man-
thing has been said to that gentleman about the bill of
balloon payments at the end -- at the fifth year last
the borrower has in making that balloon payment. Do
you have mortgages of that kind?
MR. PHILLMAN: Yes, we do not do it, as far



1 as our Company is concerned, providing the borrower knows
2 exactly the balance owing at the end of a certain time,
3 and also the Statement of Mortgage form is made out
4 correctly, I don't feel there is any harm giving a
5 borrower the type of payment that he requires because I
6 think that it is only right to enable him to make the
7 payments, if it's on a three or five or ten year basis.

8 MR. SEDGWICK: What you do say in your
9 advertisement -- "Why don't you get a low cost first
10 or second home owner's mortgage loan?" -- would you
11 describe a first mortgage at from 12 to 15% as being
12 low cost?

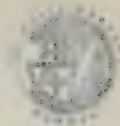
13 MR. FELDMAN: Yes, Mr. Sedgwick. We have a
14 great number of to finance companies.

15 MR. SEDGWICK: To what?

16 MR. FELDMAN: To finance companies. To
17 finance companies where they have taken first and
18 second mortgages as security. As far as I am personally
19 concerned I feel our costs, our payment plans, are
20 certainly a big help to a borrower.

21 MR. SEDGWICK: They are lower than some of
22 the finance companies, is that it?

23 MR. FELDMAN: Yes, but I have to add this at
24 this time -- we are not competing with trust companies.
25 If these borrowers were in a position to borrow from
26 a life or trust company this would be our first suggestion
27 to them when they come into the office. We are now
28 talking about people who haven't got the equities of
29 borrowing from these types of lending institutions.



an our company is concerned, receiving the borrower known
exactly the balance owing at the end of a certain time,
and also the statement of mortgage loan to make out
correctly, I don't feel there is any harm giving a
borrower the type of payment that he requires because I
think that it is only right to enable him to make the
payments, if it is on a three or five or ten year basis
MR. STEWART: What you do say in your
advertisement -- "Why don't you get a low cost first
or second home owner's mortgage loan?" -- would you
describe a first mortgage at that is to say as being
low cost?
MR. REIDMAN: Yes, Mr. Stewart. We have a
great number of
MR. STEWART: To what?
MR. REIDMAN: To finance companies. To
finance companies where they have loan first and
second mortgages as security. As far as I am concerned,
concerned I feel our costs, our payment plans, are
certainly a big help to a borrower.
MR. STEWART: They are lower than some of
the finance companies, is that it?
MR. REIDMAN: Yes, but I want to add that at
this time -- we are not connected with these companies.
If these borrowers were in a position to borrow from
a life or trust company this would be our first suggestion
to them when they come into the office. We are now
talking about people who haven't got the facilities of
borrowing from these types of lending institutions.



1 MR. SEDGWICK: I see attached to the document
2 that I was reading is a sample application - obviously
3 a sample. And it reads, "Know all men by these present
4 that I, John Doe, hereby apply to Residential Finance
5 Limited for a mortgage loan on the property at XX Street,
6 valued at \$10,000 and owned by me as (voice inaudible)
7 second mortgage in the amount of ---- repayment \$50.10
8 a month, which includes principal and interest at 18%
9 per/year for a term of five years. I am not speaking
10 about the 18% because I know this is a sample, but do
11 you in the form of application state to the borrower
12 the percentage rate in that way?

13 MR. FELDMAN: Oh, absolutely.

14 MR. SEDGWICK: Always, that is you state the
15 amount and you state the rate of interest -- as in
16 the sample you state the rate is 18%?

17 MR. FELDMAN: Absolutely.

18 MR. SEDGWICK: And that is computed, I suppose,
19 on the reducing balance, is it?

20 MR. FELDMAN: Half yearly.

21 MR. SEDGWICK: That is all my questions.

22 MR. IRWIN: Mr. Feldman, I have several
23 questions. Your range of interest on first mortgages
24 is about 15%?

25 MR. FELDMAN: The range of first mortgages?

26 MR. IRWIN: Is that what you said?

27 MR. FELDMAN: No. Our range for first mort-
28 gages is $6\frac{1}{2}$ up --

29 MR. IRWIN: Up to what?

30



MR. SEDGWICK: I see attached to the document that I was reading is a sample application - obviously a sample. And it reads, "Know all men by these presents that I, John Doe, hereby apply to Residential Finance Limited for a mortgage loan on the property at XX Street, valued at \$10,000 and owed by me as (voice inaudible) second mortgage in the amount of ---- repayment \$50.00 a month, which includes principal and interest at 18% per year for a term of five years. I am not speaking about the 18% because I know this is a sample, but do you in the form of application state to the borrower the percentage rate in that way?"

MR. FREEDMAN: Oh, absolutely.

MR. SEDGWICK: Always, that is you state the

amount and you state the rate of interest -- as in the sample you state the rate is 18%.

MR. SEDGWICK: And that is completed, I suppose,

on the reducing balance, is it?

MR. FREEDMAN: Half yearly.

MR. SEDGWICK: That is all my questions.

MR. LAMONT: Mr. Chairman, I have several

questions. Your range of interest on first mortgages is about 12%.

MR. LAMONT: Is that what you call?

MR. FREEDMAN: No. Our range for first mort-

gages is 6 1/4 up --

MR. LAMONT: Up to what?



1 MR. FELDMAN: Well, I think in all fairness,
2 when I made that statement, I have to say this -- as
3 you and the Committee can certainly appreciate, there
4 are some first mortgages that the investor, or an average
5 investor, would not take regardless of any type of
6 rate of return. So I think that we would have to base
7 our rate of interest not strictly on first mortgages.
8 I think a rate of interest on our loans should be based
9 on all loans across the board because there are certainly
10 some better second and third mortgages -- much better
11 security at least in second and third mortgages than
12 there are in some first.

13 MR. IRWIN: Yes, I was just seeking infor-
14 mation. You might charge $6\frac{1}{2}$ on an absolutely A-1
15 situation? You might charge up to what -- 12% on a
16 poor one?

17 MR. FELDMAN: No. In all fairness, we would
18 even charge as high as 15 or 16% on --

19 MR. IRWIN: That's what I wanted to ascertain.
20 Have you had a first class proposition of a type that
21 might be attractive to, say, a conventional lending
22 institution like an insurance company, your rate would
23 be what? At the present time I am thinking of one of
24 the insurance companies with which I am familiar -- they
25 are charging $6\frac{3}{4}$ on prime situations. What would your
26 rate be in that case?

27 MR. FELDMAN: Whatever we could get the
28 best rate and interest for the borrower. If we wrote
29 an application, which happens in many instances, and we



MR. FRIEDMAN: Well, I think in all fairness,

when I made that statement, I have to say this -- as you and the Committee can certainly appreciate, there are some first mortgages that the investor, on an average investor, would not take regardless of any type of rate of return. So I think that we would have to base our rate of interest not strictly on first mortgages. I think a rate of interest on our loans would be based on all loans across the board because there are certainly some better second and third mortgages -- much better security at least in second and third mortgages than there are in some first.

MR. IRWIN: Yes, I was just reading infor-

mation. You might charge 6% on an absolutely A-1 situation? You might charge up to what -- 10% on a poor one?

MR. FRIEDMAN: No. In all fairness, we would

even charge as high as 15% or 16% or --

MR. IRWIN: That's what I wanted to ascertain.

Have you had a first class proposition of a type that might be attractive to, say, a conventional lending institution like an insurance company? Your rate would be what? At the present time I am thinking of one of the insurance companies with which I am familiar -- they are charging 6 3/4% on prime situations. What would your rate be in that case?

MR. FRIEDMAN: Whatever we could get the

best rate and interest for the borrower. If we wrote

an application, we would be in a position to



1 tell the borrower we may be able to place it for 8%,
2 -- we are using it as a for instance -- and they sign
3 the application at 8%. Then our men go out into the
4 field and we find that we can place that mortgage for
5 7%. We never tell the lending institution the amount
6 of interest that we have charged. We have told them
7 the amount of money which we require and they come
8 back to us with the situation.

9 MR. IRWIN: I see. So that on prime situations
10 your rate would be pretty much the market rate on those
11 conventional institutions?

12 MR. FELDMAN: That's right. And at some point,
13 a very vague point I grant you, but at some point the
14 type of situation ceases to be a prime situation and may
15 become of a second class type and at that time you would
16 be going up into the 10 and 12 and 15% so that would
17 you say on the whole your business is dealing with
18 those situations which are not prime situations, are less
19 attractive to the conventional lender?

20 MR. FELDMAN: Well, Mr. Irwin, I've got to
21 clarify this by saying this way, that it is certainly
22 more lucrative to our company or to any other broker to
23 obtain a loan that isn't as easy to place because
24 actually the commission is obtaining it is higher. The
25 same as a real estate broker -- if he gets top dollar
26 for a property which he has listed, knowing that he
27 could probably get it for the purchaser cheaper, he is
28 going to try for the top dollar because his commission
29 is involved. Up until this present six months ago, we
30



tell the borrower we may be able to place it for 8%,
 -- we are using it as a for instance -- and they sign
 the application at 8%. Then our men go out into the
 field and we find that we can place that mortgage for
 7%. We never tell the lender institution the amount
 of interest that we have arranged. We have told them
 the amount of money which we require and they come
 back to us with the situation.

MR. LAMONT: I see. So loan on better situations
 your rate would be pretty much the market rate on those
 situations.
 MR. FRIDMAN: That's right. And at some point
 a very vague point I grant you but at some point the
 type of situation ceases to be a better situation and may
 become of a second class type and at that time you would
 be taking up into the 10 and 12 and 15 and so on.
 you say on the whole your business is dealing with
 those situations which are not better situations, are less
 attractive to the conventional lender?

MR. FRIDMAN: Well, Mr. Lamont, I've got to
 clarify this by saying this way, that it is certainly
 more attractive to our company or to any other broker to
 obtain a loan that isn't as good as a first mortgage
 actually the commission is higher on it. The
 same as a real estate broker -- he gets a higher
 for a property which he has a first mortgage on
 could probably get it for the second mortgage, he is
 going to try for the second mortgage because his commission
 is involved. So while this business is not as good as



1 started operating in the city of Toronto, our enquiries
2 have certainly been for the secondary financing type of
3 loan. And this of course has been because we've been in
4 an area where we always operate in areas that have been
5 fringe trust company areas and I would say, in answer
6 to your question, that probably the majority of our
7 business is based on the loan which is, which can't
8 be secured by the borrower by rapping at a number of
9 trust company doors in the city.

10 MR. IRWIN: So that most of your loans are in
11 that area and consequently in a higher rate of interest?

12 MR. FELDMAN: That's right.

13 MR. IRWIN: Then on comparing your rates with
14 finance company rates, as Mr. Sedgwick read, that you
15 are offering low cost financing, the use of the word
16 low cost is relative to the situation you are bailing
17 him out of, for example?

18 MR. FELDMAN: Yes, in truth, most of our
19 mortgage loans are consolidation, where they are involved
20 with one, two or three finance companies plus an amount
21 of installment purchases.

22 MR. IRWIN: Have you ever formed any opinion
23 as to, let's say your first mortgage, for something
24 to talk about, was 12% -- you are offering 12% to the
25 borrower. Have you ever made any comparison to show
26 the borrower that he was paying, say, 20, 24% and now
27 say 12%?

28 MR. FELDMAN: Well, yes, I would certainly
29 show that. As a broker under the Mortgage Brokers' Act



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 have certainly been for the secondary financing type of
 an area where we always operate in areas that have been
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 business is based on the loan which is, which can't
 be secured by the borrower by rapping at a number of
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MR. IRWIN: So that most of your loans are in
 that area and consequently in a higher rate of interest?
 MR. FREEMAN: That's right.

MR. IRWIN: Then on comparing your rates with
 finance company rates, as Mr. Sedgwick read, that you
 are offering low cost financing, the use of the word
 low cost is relative to the situation you are dealing
 with out of, for example?

MR. FREEMAN: Yes, in fact, most of our
 mortgage loans are consolidated, where they are involved
 with one, two or three finance companies plus an amount
 of installment purchases.

MR. IRWIN: Have you ever formed any opinion
 as to, let's say your first mortgage, for something
 to talk about, was 1% -- you are offering 1% to the
 borrower. Have you ever made any comparison to show
 the borrower that he was paying, say, 20, 25 and now
 say 1%?

MR. FREEMAN: Well, yes, I would certainly
 show that. As a broker under the Mortgage Brokers' Act



1 I think it is our duty as well that if a borrow needs
2 for consolidation an X amount of dollars, and if part
3 of that can be obtained at a lower rate of interest,
4 and the balance of it on a secondary financing, I think
5 it is our job, or the job of a broker, to also point
6 that out to the borrower.

7 MR. IRWIN: So, low cost is relevant to what
8 they are now paying. Another point is -- I think you
9 said, or Mr. Sedgwick probably drew out -- that on a
10 first mortgage you are willing to lend up to 65 or 70%
11 of the equity?

12 MR. FELDMAN: Right.

13 MR. IRWIN: That wouldn't be any different
14 than conventional institutions are now using?

15 MR. FELDMAN: That's right, sir.

16 MR. IRWIN: The other point -- your brokerage
17 fee is up to 10% on a first mortgage?

18 MR. FELDMAN: No, on all loans.

19 MR. IRWIN: On all loans. That is what I was
20 trying to establish. So that you don't make any
21 distinction as to the character charge on a first
22 mortgage situation as opposed to a second mortgage
23 situation per se?

24 MR. FELDMAN: Not as per se. We do on the
25 basis of the availability of placing it quickly or with
26 some effort.

27 MR. IRWIN: There is no distinction because
28 it's a first or because it's a second like 5% on a first
29 and 10% on a second -- it's the situation itself that
30



I think it is our duty as well that if a borrow needs
for consolidation an X amount of dollars, and if part
of that can be obtained at a lower rate of interest,
and the balance of it on a secondary financing, I think
it is our job, on the line of a broker, to also bring
that out to the borrower.

MR. TWIN: So, how good is relevant to what
they are now paying. Another point is -- I think you
said, or Mr. Sedgwick probably drew out -- that on a
first mortgage you are willing to lend up to 65 on 700
of the equity.

MR. HENSON: Right.
MR. TWIN: That wouldn't be any different
than conventional institutions are now doing?

MR. TWIN: The other point -- your mortgage
fee is up to 10% on a first mortgage?

MR. TWIN: No, on all loans.
MR. HENSON: On all loans. What is what I was
trying to establish. So that you don't make any
distinction as to the operation charge on a first
mortgage situation as opposed to a second mortgage
situation per se?

MR. HENSON: Not as per se. We do on the
basis of the availability of placing it quickly or with
some others.

MR. TWIN: There is no distinction between
let's a first or because it's a second line 5% on a first
and 10% on a second -- it's the situation itself that



1 govern it?

2 MR. FELDMAN: Right.

3 MR. BUKATOR: Mr. Feldman, you have heard, for
4 instance, where a man had applied for a loan -- let's say
5 \$3,000.00 to consolidate his debts -- have you or your
6 company ever attempted to put that man on solid footing
7 by (voice inaudible)

8 MR. FELDMAN: No, absolutely.

9 MR. BUKATOR: You've never done that?

10 MR. FELDMAN: Well, let me -- if I can elabor-
11 ate a little I will say this -- we have never in the
12 history of our company and myself purchased any account,
13 but we have done, in a number of instances, although we
14 don't deal in chattels -- we never take chattels as
15 prime security -- we have often, after receiving our
16 credit information, find that the borrower has
17 frequently borrowed over his head, we have often tied
18 up his chattels until he got himself on a sure footing.

19 MR. BUKATOR: What do you mean by tied up?

20 MR. FELDMAN: Well, take it as collateral
21 security to the line mortgage so that he wouldn't be
22 in a position to go out and reborrow from a finance
23 company and again get himself in hot water, not being
24 able to make any payments.

25 MR. BELANGER: I am interested in -- apparently
26 the letter Mr. Sedgwick was reading was when you are
27 getting agents outside of the -- outside of Toronto here,
28 is that correct?

29 MR. FELDMAN: That's right, sir.
30



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RE: [illegible]

MR. BELMONT: Mr. Tolson, you have heard, for instance, where a man had worked for a time -- let's say \$3,000.00 to consolidate his debts -- have you or your company ever attempted to put that man on solid footing by (voice amplified)

MR. TOLSON: Yes, sir.

MR. BELMONT: You're saying that?

MR. TOLSON: Well, let me -- if I can without any further delay -- we have never in the history of our company and actually purchased any account, but we have dealt in a number of instances, through we don't deal in credits -- we never take credits as such security -- we have often, after receiving our credit information, and the borrower has frequently borrowed over his head, we have often tied up his credits would be got himself in a state looking

MR. BELMONT: What do you mean by that?

MR. TOLSON: Well, take it as collateral security to the time mortgage so that he wouldn't be in a position to go out and re-borrow from a finance company and again get himself in hot water, not being able to make any payments

MR. BELMONT: I am interested in -- especially the letter Mr. Belmont was written was when you are getting agents outside of the -- outside of Toronto here, is that correct?

MR. TOLSON: Yes, sir.



1 MR. BELANGER: (Voice inaudible)

2 MR. FELDMAN: Yes, we cover pretty well the
3 Province of --

4 MR. BELANGER: How many do you have approxi-
5 mately?

6 MR. FELDMAN: Oh, I have no idea. Some are
7 active and some are inactive. Some send us one mortgage
8 application a year and some of them send us by the day.

9 MR. BELANGER: (Voice inaudible)

10 MR. FELDMAN: Well, Mr. Belanger, I think in
11 reference to that letter, why I believe that letter has
12 been written some time ago. I don't know the date.

13 MR. SEDGWICK: It couldn't be very long
14 because you didn't acquire residential until some time
15 in 1962.

16 MR. FELDMAN: '61 I believe it was.

17 MR. SEDGWICK: Is that right?

18 MR. FELDMAN: I think it was '61.

19 MR. SEDGWICK: Well your file here indicates
20 that you acquired it from [redacted] in 1962, is
21 that correct? It wasn't very long ago.

22 MR. FELDMAN: Well, regardless of the letter,
23 what I was going to say is that, naturally our interest
24 rates, our operation of our company, fluctuates with
25 the easement of money and back last summer, a year ago
26 this summer, money was a little harder to get on
27 secondary investments than they are as of today and
28 these letters go to our agents periodically depending --
29 if we have a particular company that comes to us and
30

MR. BELMONT: (Voice lowered)

MR. BELMONT: Yes, we cover pretty well the

Province of --

MR. BELMONT: How many do you have approved

materially?

MR. BELMONT: Oh, I have no idea. Some are

active and some are inactive. Some have no mortgage

application a year and some of them need me by the day.

MR. BELMONT: (Voice lowered)

MR. BELMONT: Well, Mr. Belanger, I think in

reference to that letter, why I believe that letter has

been written some time ago. I don't know the date.

MR. BELMONT: It couldn't be very long

because you didn't require residential qualifications time

in 1935.

MR. BELMONT: Oh, I believe it was.

MR. BELMONT: As that right?

MR. BELMONT: I think it was '35.

MR. BELMONT: Well, your file here indicates

that you needed it from

that country. It had a very long one.

MR. BELMONT: Well, probably on the letter.

What I was going to say to you, a letter in our interest

with our operation of our company. I think with

the essence of money and that kind of thing, a year ago

this summer, money was a little harder to get on

because of the money and that kind of thing and

these letters go to our office particularly during --

if we have a letter from company that comes to us and



1 says that they have x amount of dollars that have to
2 be invested within a certain length of time because they
3 are not bringing in a return on their money -- if the
4 amount is large enough we will immediately get our
5 boys out in the field, our letters out in the field,
6 suggesting that they write mortgages and submit them
7 to us at any rate of interest because the investor
8 is prepared to take a lesser amount.

9 MR. BELANGER: Voice inaudible.

10 MR. FELDMAN: No we don't.

11 MR. BELANGER: Voice inaudible.

12 MR. FELDMAN: No, I didn't. We charge
13 anywhere from 1 to 10%.

14 MR. PRICE: Mr. Riley?

15 MR. REILLY: I was wondering, Mr. Chairman,
16 how long the company has been operating, Residential
17 Investments Limited?

18 MR. FELDMAN: Well, Residential Finance
19 Limited -- I was under the impression it was late in
20 1961 but Mr. Sedgwick states that it was in '62.

21 MR. SEDGWICK: Your application for regis-
22 tration is --

23 MR. REILLY: Are you the President of that?

24 MR. FELDMAN: Of Residential Finance, yes,
25 I am.

26 MR. REILLY: Where does this other Residential
27 and Commercial Investments Limited fit into this?

28 MR. FELDMAN: Well, when we moved from Guelph
29 to Toronto we opened in Toronto in February 1st of this
30



says that they have a amount of dollars that have to
 be invested within a certain length of time because they
 are not paying in a return on their money -- if the
 amount is large enough we will immediately get our
 boys out in the field, our letters out in the field,
 suggesting that they write mortgages and submit them
 to us at any rate of interest because the investor
 is prepared to take a lesser amount.

MR. BELMONT: Voice immediate.

MR. BELMONT: No we don't.

MR. BELMONT: Voice immediate.

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anywhere from 1 to 10%.

MR. BELMONT: I was wondering, Mr. Chairman,

how long the company has been operating, Residential
 Investments Limited?

MR. BELMONT: Well, Residential Investments

Limited -- I was under the impression it was made in
 1961 but Mr. Gearty stated that it was in 1960.

MR. BELMONT: Your application for regis-

tration is --

MR. BELMONT: Are you the President of the

MR. BELMONT: Where does your other Residential

and Commercial Investments Limited file their

MR. BELMONT: Well, when we moved from Quebec

to Toronto we opened in Toronto in January last of this



1 year -- we opened a company, we incorporated the company
2 as Residential and Commercial Investments of Ontario
3 Limited because we didn't know what the Toronto field
4 was going to fulfill for us, and we wanted to tie it
5 in as closely as possible. They are both three-two
6 companies and they both have the powers of obtaining
7 mortgages under the Companies Act. The Residential
8 Finance Limited, now that we have moved our entire
9 operation to Toronto, has taken over the Residential
10 and Commercial --

11 MR. REILLY: It's a holding company, is it?

12 MR. FELDMAN: Oh, no, it isn't. It's a
13 company --

14 MR. REILLY: It's a separate entity?

15 MR. FELDMAN: Separate entity.

16 MR. REILLY: What's been your experience
17 with foreclosures, have you had any?

18 MR. FELDMAN: Yes, we have had a few, very,
19 very minor -- as far as the volume of our business is
20 concerned it's --

21 MR. REILLY: How many cases, or what percentage
22 have resulted in foreclosure?

23 MR. FELDMAN: Less than 1%.

24 MR. REILLY: Less than 1%? Thanks.

25 MR. BUKATOR: Mr. Chairman, this leads up to
26 a question that I'd like to ask. You state that you
27 charge a higher rate of interest in outlying areas such
28 as Sudbury, is that what you said?

29 MR. FELDMAN: No, I say the rates of interest
30



year -- we opened a company, we incorporated the company
as Residential and Commercial Investments of Ontario
limited because we didn't know what the Toronto field
was going to fulfill for us, and we wanted to tie it
in as closely as possible. They are both three-two
companies and they both have the power of obtaining
mortgages under the Companies Act. The Residential
Finance Limited, now that we have moved our entire
operation to Toronto, has taken over the Residential
and Commercial --

MR. BELLAMY: It's a holding company, is it?
MR. WILSON: Oh, no, it isn't. It's a

MR. BELLAMY: It's a separate entity?

MR. WILSON: What's your own experience

with foreclosures, have you had any?

MR. WILSON: Yes, we have had a few, very,

very minor -- as far as the volume of our business is
concerned it's --

MR. BELLAMY: How many cases, or how many cases

have resulted in foreclosures?

MR. WILSON: Less than ten.

MR. BELLAMY: How many cases, or how many cases

MR. BELLAMY: How many cases, or how many cases

a question about I'd like to ask. You stated that you

charge a higher rate of interest on mortgages than you

as ordinary, is that what you mean?

MR. WILSON: No, I am not sure of interest



1 are higher in outlying areas around Sudbury.

2 MR. BUKATOR: Around Sudbury.

3 MR. FELDMAN: Not Sudbury as a city proper, I
4 don't want to --

5 MR. BUKATOR: Do you have other areas similar
6 to Sudbury?

7 MR. FELDMAN: Oh, yes.

8 MR. BUKATOR: Would you name some?

9 MR. FELDMAN: Well, as I say, any outlying
10 area -- there are a certain amount of metropolitan areas,
11 cities themselves, -- as soon as you get away from the
12 city proper -- in getting into areas such as Owen Sound,
13 areas such as Kincarden, , Barrie. These
14 are not areas that our investors would consider as
15 metropolitan areas.

16 MR. BUKATOR: Are they as sound an investment
17 for your investors since you only have 1%?

18 MR. FELDMAN: This I can't tell you because
19 we can only base our rates on the availability of the
20 money towards us. If this Committee sees fit to put
21 a ceiling on interest rates a year today I can tell you
22 much better because my investors would either take it
23 at the interest that is available or they wouldn't take
24 it.

25 MR. BUKATOR: I was just wondering about the
26 people who live in these outlying areas outside of,
27 let's say, Sudbury and possibly Niagara Falls and Owen
28 Sound and Kincarden -- these people are to be penalized
29 by your company, although they are not bound to take
30



are higher in ordinary areas around Sydney.

MR. BELL: Now Sydney as a city proper, I

don't want to --

MR. BELL: No, you have other areas similar

MR. BELL: Yes.

MR. BELL: Would you have some

MR. BELL: Well, as I said, the ordinary

area -- there are a certain amount of metropolitan areas, cities themselves, -- as soon as you get away from the city proper -- in passing into areas such as Green Sound, areas such as Kincardin, Hunter, these are not areas that our investors would consider as

MR. BELL: Are they as good as investment

for your investors since you only have the

MR. BELL: What I can't tell you because

we can only base our rates on the availability of the money towards us. If this Government feel fit to put a ceiling on interest rates a year today I can tell you much better because my investors would either take it at the interest that is available or they wouldn't take it.

MR. BELL: I was just wondering about the people who live in these ordinary areas outside of, let's say, Sydney and possibly Newcastle and Green Sound and Kincardin -- these people are to be benefited by your company, although they are not bound to take



1 the money, I realize that, but they have to pay the
2 larger rate of interest because they don't live in
3 the centre of a metropolitan area and therefore you
4 charge this higher rate; is that the way you --

5 MR. FELDMAN: If I may answer it this way.
6 I don't think that they are to be penalized by our
7 company because I can say this -- that a great number
8 of trust companies located right here in the City of
9 Toronto have $6\frac{1}{2}$ or 7% interest rate for Toronto and
10 area and the same building, situated in the northern
11 area is at least $1\frac{1}{2}$ or 2% higher.

12 MR. BUKATOR: $1\frac{1}{2}$ and 2% over 6? But that
13 still doesn't bring it up to 15% and I think maybe this
14 Committee, Mr. Chairman, will be dealing with trust
15 companies also when the turn for that comes so while
16 we are dealing with you and your company and how you
17 operate, that's why I wanted to ask you these questions.
18 It appears that your company will charge someone in an
19 outlying area 15% and in the City of Toronto if the
20 deal looks good he could get by with somewhere around
21 $6\frac{1}{2}$?

22 MR. FELDMAN: Well --

23 MR. BUKATOR: Let's put it this way -- the
24 percentage of your business in the outlying areas,
25 percentagewise how does that apply in your company?

26 MR. FELDMAN: Well, it's hard to say because
27 -- done on an overall basis I would say this -- it's
28 pretty difficult for me to say that a borrower living
29 in an outlying area hasn't the same type of security as
30



the money, I realize that, but they have to pay the
larger rate of interest because they don't live in
the centre of a metropolitan area and therefore pay
higher rates of interest. Is that the way you --
MR. STONERIDGE: If I may answer in this way.

I don't think that they are to be penalized by our
company because I can say this -- there is a great number
of trust companies located right here in the City of
Toronto have 60 or 70 interest rate now Toronto and
area and the same holding, situated in the northern
area is at least 1 1/2 or 2 1/2 higher.

MR. STONERIDGE: If and 2 1/2 over 60 that kind
of deal doesn't bring it up to 1 1/2 and I think maybe this
Committee, Mr. Stenhouse, will be dealing with trust
companies also when the time for that comes so while
we are dealing with you and your company and how you
operate, that's why I wanted to ask you these questions.
It appears that your company will charge someone in an
outlying area 1 1/2 and in the City of Toronto 1 1/2 the
deal looks good he could get by with someone around

Q7

MR. STONERIDGE: Let's put it this way -- the
percentage of your business in the outlying areas,
percentage-wise how does that apply to your company?
MR. STONERIDGE: Well, I would say that -- there
-- there on an overall basis I would say that -- it's
pretty difficult for me to say what a percentage is
in an outlying area and I would say a percentage as



1 a person living in a city area and he should be penalized.
2 I say no, he shouldn't be penalized but as I said before
3 and I've got to say again, our rates depend on the
4 availability of the money to us. I have got to go into
5 the trust company situation again and say, if the
6 trust company money was available to us in these areas
7 then it would make our private investors that much more
8 free with the secondary funding to enable us to get
9 the borrower a lesser rate of interest.

10 MR. BUKATOR: Actually though, we are not
11 talking about 10 or 12 or 15% on a first mortgage
12 with the \$500.00 that you charge for your fee or
13 commission and \$95.00 for the lawyer out of the \$5,000.00
14 first mortgage that you loan to the man who is the
15 purchaser in this case, what does that figure up to
16 in your books, percentagewise? Have you ever calculated
17 that?

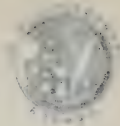
18 MR. FELDMAN: No, I haven't.

19 THE CHAIRMAN: Any further questions?

20 MR. REILLY: Mr. Chairman, I was just going
21 to ask Mr. Feldman, from the standpoint of a private
22 investor who places funds with him, do the funds
23 remain in a pool at any time or does each investor
24 receive a mortgage in the form of a certificate for
25 investing his funds?

26 MR. FELDMAN: No, we don't sell stock or
27 certificates. All our mortgages are duly signed --
28 assigned, I'm sorry.

29 MR. REILLY: So that you wouldn't give out
30



a person living in a city area and he should be penalized I say no, he shouldn't be penalized but as I said before and I've got to say again, our rates depend on the availability of the money to us. I have got to go into the trust company situation again and say, if the trust company money was available to us in those areas then it would make our private investors that much more free with the resources funding to enable us to get the borrower a lower rate of interest.

MR. BUKATON: Actually though, we are not talking about 10 or 12 or 15 on a first mortgage with the \$500.00 that you charge for your fee on commission and \$25.00 for the lawyer out of the \$5,000.00 first mortgage that you loan to the man who is the purchaser in this case, what does that figure up to in your books, percentage-wise? Have you ever calculated that?

MR. REILLY: No, I haven't.

MR. REILLY: Mr. Chairman, I was just going to ask Mr. Feldman, from the standpoint of a private investor who places funds with him, do the funds remain in a pool at any time or does each investor receive a mortgage in the form of a certificate for investing his funds?

MR. FELDMAN: No, we don't sell stock or certificates. All our mortgages are fully signed -- assigned, I'm sorry.

MR. REILLY: So that you wouldn't give out



1 a 6, 7, 8, 10% to somebody to invest funds with you?

2 MR. FELDMAN: No, none whatsoever.

3 MR. IRWIN: I'd like to ask a question in
4 the form of a hypothetical case which would perhaps
5 make it easier to pinpoint what I am asking. First,
6 what are the chief sources of your funds? Are they
7 people like me coming to you and saying, "My father
8 left me \$100,000.00, will you invest it for me?"

9 MR. FELDMAN: Well, again, depending on the
10 loans. The majority of our private funds are people
11 like you, professional people, who want a return on
12 their money.

13 MR. IRWIN: So I go to you and say I've
14 got money and will you find a place for it?

15 MR. FELDMAN: Yes.

16 MR. IRWIN: In referring to trust company
17 funds, do trust companies come to you with the same
18 proposition?

19 MR. FELDMAN: We have naturally trust company
20 mortgage departments asking us to submit mortgages
21 to them at all times.

22 MR. IRWIN: You do. Well, that's number one.
23 Now, do you -- if I came to you -- this is my hypotheti-
24 cal case -- with \$10,800.00 and I said, "Will you find
25 me a place for this?" Don't be offended by whay I am
26 saying -- I'm not trying to put words in your mouth but
27 you can (voice inaudible). Would you, for instance,
28 you might find a borrower and you --he can borrow, but
29 you draw up a mortgage for \$15,000.00. You've got a
30 bonus of \$3,000, which perhaps you keep or perhaps pass



a 6, 7, 8, 10 to somebody to invest funds with you?

MR. TWIN: I'd like to ask a question in

the form of a hypothetical case which would perhaps
make it easier to pinpoint what I am asking. First,
what are the total resources of your funds? And they
people like me coming to you and saying, "My father
left me \$100,000.00, will you invest it for me?"

MR. TWIN: Well, again, depending on the
funds. The majority of our private funds are people
like you, professional people, who want a return on

MR. TWIN: So I go to you and say I've
got money and will you find a place for it?

MR. TWIN: Yes.

MR. TWIN: In wanting to turn company
funds, do these resources come to you with the same
proportion?

MR. TWIN: We have naturally great company
mortgage departments asking us to submit mortgages
to them at all times.

MR. TWIN: You do. Well, that's another one.
Now, do you -- if I come to you -- this is my hypothetical
case -- with \$10,000.00 and I say, "Will you find
me a place for this?" You're not offered by any I am
saying -- I'm not trying to put words in your mouth but
you can (voice imitating). Would you, for instance,
you might find a borrower and you -- he can borrow, but
you draw up a mortgage for \$15,000.00. You've got a
bonus of \$3,000, which perhaps you keep or perhaps pass



1 on to me, that bring it down to 12 and then you take
2 off your 10% brokerage and finally there is my 10,800.00.
3 Do you do this?

4 MR. FELDMAN: Absolutely not. Every one of
5 our mortgages are sold, Mr. Irwin. The investor has
6 a complete right to look at any of the Statement of
7 Mortgage forms or the applications that we have in
8 hand and at no time because you walk in with an x amount
9 of dollars, do we manipulate the mortgage to suit the
10 amount of money invested -- that you have for investment.
11 At any time, if anybody walks into our office we have
12 a number of mortgages on hand for sale, mortgages that
13 we have purchased ourselves or that are currently
14 coming in to be accepted or declined and any investor
15 walking into our office would have the right to look
16 at any of the mortgage documents, Statement of Mortgage
17 form or the application, and that is what he would get.
18 He would get an assignment or the mortgage proper.

19 MR. IRWINOR: An assignment of the mortgage --

20 MR. FELDMAN: Or the mortgage proper depending--

21 MR. IRWINOR: If I were the one that walked
22 in an said I've got \$10,800.00, I would walk away
23 eventually with a mortgage on somebody's property?

24 MR. FELDMAN: That's right. You would have
25 a complete listing of that before you would put up any
26 money whatsoever, you would have all the information that
27 we would have -- the valuation, the picture, the credit
28 report, and then you would not pay our company, you
29 would pay the Solicitor, either your Solicitor or our
30



on to me, that bring it down to 12 and then you take
off your 10% brokerage and finally there is my \$10,800.00.
Do you do this?

MR. THURMAN: Absolutely not. Every one of
our mortgages are sold, Mr. Thurn. The investor has
a complete right to look at any of the statement of
Mortgage forms or the applications that we have in
hand and at no time because you walk in with an amount
of dollars, do we manipulate the mortgage to suit the
amount of money invested -- that you have for investment.
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we have purchased ourselves or that are currently
coming in to be accepted or declined and any investor
walking into our office would have the right to look
at any of the mortgage documents, statement of mortgage
form or the application, and that is what he would get.
He would get an assignment on the mortgage proper.

MR. THURMAN: An assignment of the mortgage --
MR. THURMAN: Or the mortgage proper depending
MR. THURMAN: If I were the one that walked

in an sale I've got \$10,800.00, I would walk away
eventually with a mortgage on somebody's property?
MR. THURMAN: That's right. You would have
a complete listing of that before you would put up any
money whatsoever, you would have all the information that
we would have -- the valuation, the interest, the credit
report, and then you would not pay our company, you



1 Solicitor depending on if we had purchased the mortgage
2 previous to you coming into the office.

3 MR. IRWIN: How do you get your 10% then, to
4 carry on with my illustration. Somebody undertakes
5 to pay back the mortgage of \$12,000.00, you take 12%
6 brokerage and cover other costs -- legal costs and so
7 on -- and the net \$10,800.00 is paid to the borrower?

8 MR. FELDMAN: That's right.

9 MR. IRWIN: Now, in other words, I would have
10 to come to you with \$12,000.00, wouldn't I? Because
11 you would deduct your \$1,200 from that and pay out
12 \$10,800.00 to the borrower.

13 MR. BELANGER: Are you a member of the
14 Mortgage Brokers' Association?

15 MR. FELDMAN: Yes, I am, since its inaugura-
16 tion.

17 THE CHAIRMAN: Further questions?

18 MR. BUKATOR: Yes. I think we asked the
19 question of another mortgage broker: When a man
20 applies, following up one of Mr. Irwin's thoughts, and
21 I happen to be the person who wants that \$10,500 that
22 you have. I sign the necessary papers and through some
23 consultation with my wife or members of my family I
24 decide to withdraw after the papers were signed, were
25 you ever known to take anybody into Court for this deed?

26 MR. FELDMAN: None whatsoever. In all fairness
27 to our company as well as any other mortgage broker, it
28 certainly is an expense, a great expense to obtain an
29 application, and after the borrower, knowing exactly
30

Solicitor depending on if we had purchased the mortgage previous to you coming into the office.

MR. IRWIN: Now do you get your 10% then, to

carry on with my illustration. Somebody undertakes to pay back the mortgage of \$12,000.00, you take 10% brokerage and cover other costs -- legal costs and so on -- and the net \$10,800.00 is paid to the borrower?

MR. FREEDMAN: That's right.

MR. IRWIN: Now, in other words, I would have

to come to you with \$12,000.00, wouldn't it? Because you would deduct your \$1,200 from that and pay out \$10,800.00 to the borrower.

MR. FREEDMAN: Are you a member of the

MR. IRWIN: Yes, I am, since the purchase

from.

MR. FREEDMAN: Yes, I think we asked the

question of another mortgage broker. When a man

applies, following up one of Mr. Irwin's thoughts, and I happen to be the person who wants that \$10,800 that you have. I sign the necessary papers and through some consideration with my wife or someone of my family I decide to withdraw after the papers were signed, were you ever known to take anybody into Court for this doubt?

MR. FREEDMAN: None whatsoever. In all instances

to our company as well as any other mortgage broker, it certainly is an expense, a great expense to obtain an application, and after the borrower, knowing exactly

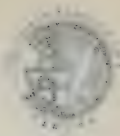


1 what he is getting and has received a copy of the
2 Statement of Mortgage form, he comes back to you and
3 says he doesn't wish to go through with the application,
4 if it has not been drawn legally we certainly drop the
5 matter and advise him that any time in the future that
6 we can be of help to him to do so, no other costs are
7 involved. If the lawyer has drawn the papers and the
8 borrower and his wife have executed the papers and the
9 papers are registered against the property and the
10 borrower refuses to take the funds at that time, we
11 have advised our Solicitors acting for us, that they
12 should collect their fees and the discharge fee, to
13 discharge the mortgage. At that time they can walk
14 away from the situation.

15 MR. BUKATOR: You have never held out for
16 your commission that you were entitled to?

17 MR. FELDMAN: At no time.

18 MR. SEDGWICK: In that connection, Mr.
19 Feldman, I am looking at your sample application and
20 it has this paragraph, "We hereby further agree that if
21 we are notified that our mortgage is accepted in
22 accordance with the above terms and we do not accept
23 same, or the mortgage cannot be completed because the
24 existing encumbrances are not in accordance with the
25 figures represented, we shall pay all legal expenses
26 incurred in connection with this mortgage plus the
27 sum of \$100.00 to Residential Finance Limited to cover
28 the expenses in arranging the mortgage". Is that your
29 practice?
30



what he is getting and has received a copy of the
 Statement of Mortgage form, he comes back to you and
 says he doesn't wish to go through with the application.
 If it has not been drawn legally we certainly drop the
 matter and advise him that any time in the future that
 we can be of help to him we do so, no other costs are
 involved. If the lawyer has drawn the papers and the
 borrower and his wife have executed the papers and the
 papers are registered against the property and the
 borrower refuses to take the funds at that time, we
 have advised our Solicitors acting for us, that they
 should collect their fees and the discharge fee, to
 discharge the mortgage. At that time they can walk
 away from the situation.

MR. TELLER: You have never held out for

your commission that you were entitled for

MR. BROWMAN: At no time.

MR. SADDLER: Is that correct, Mr.

Feldman, I am looking at your sample application and
 it has this paragraph, "We hereby further agree that if
 we are notified that our mortgage is assigned in
 accordance with the above terms and we do not accept
 same, or the mortgage cannot be completed because the
 existing encumbrances are not in accordance with the
 figures represented, we shall pay all legal expenses
 incurred in connection with this mortgage and the
 sum of \$100.00 to the lender's firm to be used to cover
 the expenses in arranging the mortgage". Is that your



1 MR. FELDMAN: That's the usual wording. Our
2 practice is never to go after the \$100.00.

3 MR. SEDGWICK: I see. At least it's the
4 practice that you tell your agents you intend to follow?

5 MR. FELDMAN: That's right.

6 THE CHAIRMAN: Unless there is some more
7 questions that's all then we have, Mr. Feldman, thank
8 you very much.

9 MR. FELDMAN: You're welcome. Thank you.

10 THE CHAIRMAN: We now will hear from Mr.
11 J. Newton of the Forest Hill Investment Corporation
12 Limited. Mr. Newton? You don't have a prepared brief?

13 MR. NEWTON: No, I don't, sir.

14 THE CHAIRMAN: Would you like to tell us
15 something about your company?

16 MR. NEWTON: I'll answer all the questions
17 put to me, sir.

18 MR. SEDGWICK: Mr. Newton, I believe that
19 your company is called Forest Hill Investment Corporation
20 Limited; is that right?

21 MR. NEWTON: Yes, sir.

22 MR. SEDGWICK: Do you operate under any other
23 name, other than that?

24 MR. NEWTON: In the mortgage field?

25 MR. SEDGWICK: Yes?

26 MR. NEWTON: No, sir.

27 MR. SEDGWICK: Have you at any time operated
28 under any name other than Forest Hill Corporation
29 Limited? I am looking at a raft of advertisements that
30



MR. BELMAN: That's the usual working.

practice is never to go after the \$100.00.

MR. SEDGWICK: I see. At least it's the

practice that you tell your agents you intend to follow?

MR. BELMAN: Yes, sir.

THE CHAIRMAN: Unless there is some more

questions that's all then we have, Mr. Belman, thank

you very much.

MR. BELMAN: You're welcome. Thank you.

THE CHAIRMAN: We now will hear from Mr.

Y. Newton of the Forest Hill Investment Corporation

stated. Mr. Newton? You don't have a prepared paper?

MR. NEWTON: No, I don't, sir.

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something about your company?

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put to me, sir.

MR. SEDGWICK: Mr. Newton, I believe that

your company is called Forest Hill Investment Corporation

limited, is that right?

MR. NEWTON: Yes, sir.

MR. SEDGWICK: Do you operate under any other

names, other than that?

MR. NEWTON: In the mortgage field?

MR. SEDGWICK: Yes?

MR. NEWTON: No, sir.

MR. SEDGWICK: Have you at any time operated

under any name other than Forest Hill Corporation

limited? I am asking you about the corporation that



1 on the 9th of July this year you sent to the Registrar
2 of the Department of Insurance for approval and I
3 see you say this: "If you own a home, even if it is
4 not fully paid for, I will lend you \$2,000.00 now and
5 you will be surprised to find how easy it is to get
6 cash. No endorsers or co-signers are required and
7 your friends, neighbours, relatives or employer will
8 not be contacted. Get the money now --(voice inaudible)
9 How can we do all this? The reason is simple. Most
10 other lending agencies look for clients to take these
11 mortgages. We advance our own funds. That's why we
12 can give you such a service." Do you recall that ad,
13 Mr. Newton?

14 MR. NEWTON: Yes, sir.

15 MR. SEDGWICK: Is that statement true as
16 to the manners of your operations?

17 MR. NEWTON: Yes, we always advance our own
18 funds, sir.

19 MR. SEDGWICK: And then do you resell the
20 mortgages that you take?

21 MR. NEWTON: Or borrow against them.

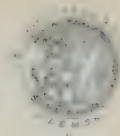
22 MR. SEDGWICK: Or borrow against them. I see.
23 And do you have any standard rates on first or second
24 mortgages?

25 MR. NEWTON: No, sir.

26 MR. SEDGWICK: Then I assume the rate is
27 dependent on the risk; is that right?

28 MR. NEWTON: Of course.

29 MR. SEDGWICK: Taking a first mortgage, do
30



on the 9th of July this year you sent to the Registrar
of the Department of Insurance for approval and I
see you say this: "If you own a home, even if it is
not fully paid for, I will lend you \$2,000.00 now and
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How can we do all this? The reason is simple. Most
other lending agencies look for clients to take these
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MR. NEWTON?
MR. NEWTON: Yes, sir.
MR. SEDGWICK: Is that statement true as
to the manner of your operations?
MR. NEWTON: Yes, we always advance our own
funds, sir.
MR. SEDGWICK: And then do you recall the
mortgages that you take?
MR. NEWTON: Or borrow against them.
MR. SEDGWICK: Or borrow against them. I see.
And do you have any standard rates on first or second
mortgages?
MR. SEDGWICK: Then I assume the rate is
dependent on the risk; is that right?
MR. NEWTON: Of course.
MR. SEDGWICK: Taking a first mortgage, do



1 you have any range of rates to follow? I mean would it
2 be $6\frac{1}{2}$ to ~~-----~~

3 MR. NEWTON: There is no rule of thumb
4 actually.

5 MR. SEDGWICK: I beg your pardon?

6 MR. NEWTON: There is no rule of thumb.

7 MR. SEDGWICK: Don't you have some interest
8 rate that would be related to the equity? For instance
9 if you had a \$10,000.00 house and a \$5,000.00 mortgage,
10 wouldn't the rate there be about 7 or $7\frac{1}{2}$?

11 MR. NEWTON: Well, all things being equal
12 we will send a client like this to a customer.

13 MR. SEDGWICK: Oh, you wouldn't take that
14 kind of a mortgage? Why not?

15 MR. NEWTON: We can't afford to charge them
16 7%, it's unsound business.

17 MR. SEDGWICK: If you send them to a trust
18 company will you be paid a forwarding fee by the trust
19 company?

20 MR. NEWTON: No.

21 MR. SEDGWICK: You say no.

22 MR. NEWTON: No. We don't call the trust
23 company, we just say it's advisable for you to --

24 MR. SEDGWICK: Go to a trust company. I see.
25 Then do you at times advance money on both first and
26 second mortgages?

27 MR. NEWTON: Yes, we do, and thirds as well.

28 MR. SEDGWICK: And do you make a practice of
29 charging what is called a bonus?
30



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2 be 6 1/2 to 7 per cent?

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28 MR. SEDGWICK: And do you make a practice of

29 charging what is called a bonus?

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1 MR. NEWTON: At times, yes.

2 MR. SEDGWICK: How is the bonus arrived at?

3 MR. NEWTON: Well, I look at the property and
4 I can pretty well tell what the -- what my client will
5 want in return for his money.

6 MR. SEDGWICK: I see. Well then, when you
7 charge a bonus, of course, that falsifies the interest
8 rate as shown on the mortgage. Do you tell the borrower
9 what the effective or true interest rate is?

10 MR. NEWTON: Oh, yes. By all means.

11 MR. SEDGWICK: Yes. And how do you manage
12 to compute it? We've heard that it is not easy to
13 compute.

14 MR. NEWTON: Well, I do it this way. Say a
15 man -- just a hypothetical case -- a man borrows
16 \$2,000.00 and we charge him a \$900.00 bonus say -- that
17 would be over three years to make it easy -- that would
18 be \$300.00 a year on \$2,000.00 that I have invested.

19 MR. SEDGWICK: So the mortgage will be
20 \$2,900.00; is that right?

21 MR. NEWTON: That's right.

22 MR. SEDGWICK: For him to get \$2,000.00?

23 MR. NEWTON: That's right. We add that yield
24 to the 7% to get his interest for the first year.

25 MR. SEDGWICK: Voice inaudible.

26 MR. NEWTON: Just 15% per year on the bonus
27 plus 7% would be 22% in this particular case.

28 MR. SEDGWICK: That would be the figure that
29 you would disclose to the borrower? 22%?

30



MR. NEWTON: At times, yes.

MR. SEDGWICK: How is the bonus arrived at?

MR. NEWTON: Well, I look at the property and

I can pretty well tell what the -- what my client will

want in return for his money.

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what the effective or true interest rate is?

MR. NEWTON: Oh, yes. By all means.

MR. SEDGWICK: Yes. And how do you manage

to compute it? We've heard that it is not easy to

compute.

MR. NEWTON: Well, I do it this way. Say a

man -- just a hypothetical case -- a man borrows

\$2,000.00 and we charge him a \$200.00 bonus say -- that

would be over three years to make it easy -- that would

be \$200.00 a year on \$2,000.00 that I have invested.

MR. SEDGWICK: So the mortgage will be

\$2,200.00

MR. NEWTON: That's right

MR. SEDGWICK: For him to get \$2,000.00?

MR. NEWTON: That's right. We add that yield

to the 7% to get his interest for the first year.

MR. SEDGWICK: Voice inaudible.

MR. NEWTON: Just 1% per year on the bonus

plus 7% would be 8% in this particular case.

MR. SEDGWICK: That would be the figure that

you would disclose to the borrower? 8%?



1 MR. NEWTON: That's right.

2 MR. SEDGWICK: Let me use some specific
3 examples, Mr. Newton?

4 MR. NEWTON: Certainly.

5 MR. SEDGWICK: Do you remember a mortgage
6 from a Mrs. Isabelle Wouk at 20 Montague Place?

7 MR. NEWTON: Very well.

8 MR. SEDGWICK: Yes. And do you remember what
9 the amount of that mortgage was?

10 MR. NEWTON: Yes. I thought it was \$10,800.

11 MR. SEDGWICK: Yes. It was said to me that
12 when Mrs. Wouk consulted you she owed two mortgages
13 totalling with taxes \$1,025.00 and that you arranged
14 a new first mortgage for \$10,800.00 less a bonus of
15 \$2,800.00 so that you advanced \$8,025.00; is that
16 right?

17 MR. NEWTON: Yes.

18 MR. SEDGWICK: And what was the rate of
19 interest on that first mortgage?

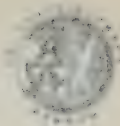
20 MR. NEWTON: 7%.

21 MR. SEDGWICK: 7%. And then you arranged on
22 the same property a second mortgage of \$3,000.00 on
23 which you charged a bonus of \$1,000.00 and advanced
24 \$2,000.00; is that right?

25 MR. NEWTON: That's right.

26 MR. SEDGWICK: So that she got \$10,025, the
27 amount of her existing mortgages but instead of having
28 mortgages for \$10,025 she had mortgages for \$13,800.00;
29 is that right?

30



MR. NEWTON: That's right.

MR. SEDGWICK: Let me use some specific

examples, Mr. Newton?

MR. NEWTON: Certainly.

MR. SEDGWICK: Do you remember a mortgage

from a Mrs. Isabelle Wolk at 20 Mortgage Place?

MR. NEWTON: Very well.

MR. SEDGWICK: Yes. And do you remember what

the amount of that mortgage was?

MR. NEWTON: Yes. I thought it was \$10,800.

MR. SEDGWICK: Yes. It was said to me that

when Mrs. Wolk consulted you she owed two mortgages

totaling with taxes \$1,025.00 and that you arranged

a new first mortgage for \$10,800.00 less a bonus of

\$2,800.00 so that you advanced \$8,025.00; is that

right?

MR. NEWTON: Yes.

MR. SEDGWICK: And what was the rate of

interest on that first mortgage?

MR. NEWTON: 7%

MR. SEDGWICK: Yes. And when you arranged on

the same property a second mortgage of \$2,000.00 on

which you charged a bonus of \$1,000.00 and advanced

\$2,000.00; is that right?

MR. NEWTON: That's right.

MR. SEDGWICK: So that she got \$10,025.00, the

amount of her first mortgage but instead of having

mortgages for \$10,800.00 and \$2,000.00

is that right?



1 MR. NEWTON: Probably so.

2 MR. SEDGWICK: And added to the first mortgage
3 of \$10,800.00 was that bonus of \$2,200 based on the
4 risk involved?

5 MR. NEWTON: Most definitely, sir.

6 MR. SEDGWICK: Yes. And did you value the
7 property?

8 MR. NEWTON: Yes.

9 MR. SEDGWICK: What did you value it at?

10 MR. NEWTON: Well, this address is --

11 MR. SEDGWICK: 20 Montague Street.

12 MR. NEWTON: Montague Place. It's a lane,
13 actually.

14 MR. SEDGWICK: Place. Montague Place.

15 MR. NEWTON: What did I value the property
16 at?

17 MR. SEDGWICK: Yes.

18 MR. NEWTON: \$9,500.00.

19 MR. SEDGWICK: Do you consider the Chartered
20 Trust Company to be competent valuers of real estate?

21 MR. NEWTON: Yes.

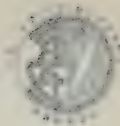
22 MR. SEDGWICK: Looking at the valuation that
23 they made, as of November, 1960, they valued this at
24 \$18,000.00 on that date.

25 MR. NEWTON: On that date? Difficult to
26 believe, sir.

27 MR. SEDGWICK: Would you like to look at it?

28 MR. NEWTON: I believe you, sir.

29 MR. SEDGWICK: It's a written, signed, valua-
30 tion, and they valued it at \$18,000.00 so that at



MR. NEWTON: Yes, sir.

MR. SEDGWICK: And added to the first mortgage

of \$10,800.00 was that bonus of \$2,200 based on the

risk involved?

MR. NEWTON: Most definitely, sir.

MR. SEDGWICK: Yes. And did you value the

property?

MR. NEWTON: Yes.

MR. SEDGWICK: What did you value it at?

MR. NEWTON: Well, this address is --

MR. SEDGWICK: 80 Mortgage Street.

MR. NEWTON: Yes, sir.

actually.

MR. SEDGWICK: That is correct.

MR. NEWTON: What did I value the property

at?

MR. NEWTON: Yes.

MR. SEDGWICK: \$10,800.00.

MR. SEDGWICK: Do you consider the Chartered

Trust Company to be competent valuers of real estate?

MR. NEWTON: Yes.

MR. SEDGWICK: Looking at the valuation that

they made, as of November, 1920, they valued this at

\$18,000.00 on that date.

MR. NEWTON: On that date? Difficult to

believe, sir.

MR. SEDGWICK: Would you like to look at it?

MR. NEWTON: I believe you, sir.

MR. SEDGWICK: It's a written, signed, value-

statement, and they valued it at \$18,000.00 on that date.



1 \$18,000.00, if their valuation is correct, it would
2 have been prime first mortgage value for about ten,
3 wouldn't it?

4 MR. NEWTON: Well, I certainly had to give
5 a big discount on that first to get rid of it.

6 MR. SEDGWICK: Did you?

7 MR. NEWTON: I most certainly did.

8 MR. SEDGWICK: How much did you get for the
9 first?

10 MR. NEWTON: I think I gave somebody about
11 a \$1,200.00 discount, if I am not mistaken, at the time.
12 This was back in 1960.

13 MR. SEDGWICK: By that you mean you sold it
14 for how much money?

15 MR. NEWTON: It was \$10,800 -- it was 92 or
16 94 hundred.

17 MR. SEDGWICK: The first mortgage was \$10,800
18 but you only advanced \$8,000.00. How much did you sell it
19 for?

20 MR. NEWTON: I think I sold it for about
21 \$9,200.

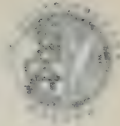
22 MR. SEDGWICK: You sold it for \$9,200 so that
23 you made a profit of \$1,200.00 on the mortgage?

24 MR. NEWTON: Just legal fees, etc.

25 MR. SEDGWICK: Legal fees would be about how
26 much?

27 MR. NEWTON: Well, in and out, about \$135.00.

28 MR. SEDGWICK: I see. Then as to the second
29 mortgage where you advanced \$2,000.00 but got a
30 mortgage for \$3,000.00, did you sell that?



\$10,000.00, if their valuation is correct, it would

have been prime first mortgage value for about ten,

wouldn't it?

MR. NEWTON: Well, I certainly had to give

a big discount on that first to get rid of it.

MR. SHINGWICK: Did you?

MR. NEWTON: I most certainly did.

MR. SHINGWICK: How much did you get for the

first?

MR. NEWTON: I think I gave somebody about

a \$1,200.00 discount, if I am not mistaken at the time.

This was back in 1900.

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for how much money?

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MR. NEWTON: I think I sold it for about

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MR. SHINGWICK: You sold it for \$9,200 so that

you made a profit of \$1,200.00 on the mortgage?

MR. NEWTON: Just legal fees, etc.

MR. SHINGWICK: Legal fees would be about how

much?

MR. NEWTON: Well, in and out, about \$135.00.

MR. SHINGWICK: I see. Then as to the second

mortgage, how much did you advance on that?

mortgage for \$3,000.00, did you sell that



1 MR. NEWTON: Yes.

2 MR. SEDGWICK: How much did you get for that?

3 MR. NEWTON: It was about \$2,400 or \$2,500,

4 I'm not certain.

5 MR. SEDGWICK: I see. Then I believe some
6 complaint was made about this transaction and you made
7 a refund, did you not, of some amount to the borrower?

8 MR. NEWTON: Yes.

9 MR. SEDGWICK: How much?

10 MR. NEWTON: \$1,000.00.

11 MR. SEDGWICK: \$1,000.00. Taking the first
12 mortgage of \$10,800, you're taking the second mortgage
13 of -- with a face of \$3,000 and \$2,000 less by you
14 at 7% for three years, what do you say would be the
15 effective interest rate on that one?

16 MR. NEWTON: $16\frac{1}{2}\%$.

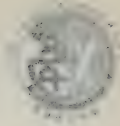
17 MR. SEDGWICK: It was said to me that it
18 was 43.8%.

19 MR. NEWTON: Who said that?

20 MR. SEDGWICK: That is the figure that I
21 get using what is called the interest rate method of
22 figuring out the true interest. What were the payments
23 on the mortgage?

24 MR. NEWTON: \$35.00 a month.

25 MR. SEDGWICK: \$35.00 a month. So that there
26 was a reducing balance. In considering the 16% are
27 you paying any attention to reducing balance. If you
28 did pay attention to reducing balance the true rate of
29 interest would be much greater, wouldn't it?
30



MR. NEWTON: How much did you get for that?

MR. NEWTON: It was about \$2,400 or \$2,500.

MR. SEDGWICK: I see. When I believe some complaint was made about this transaction and you made a refund, did you not, of some amount to the borrower?

MR. NEWTON: Yes.

MR. SEDGWICK: How much?

MR. NEWTON: \$1,000.00. That's the first mortgage of \$10,800, you're taking the second mortgage of -- with a face of \$3,000 and \$2,000 less by you at 7% for three years, what do you say would be the

MR. NEWTON: 10%.

MR. SEDGWICK: It was said to me that it

MR. NEWTON: Who said that?

MR. SEDGWICK: That is the figure that I get using what is called the interest rate method of figuring out the true interest. What were the payments on the mortgage?

MR. NEWTON: \$25.00 a month.

was a reducing balance. In considering the 10% and you paying any attention to reducing balance. If you did pay attention to reducing balance the true rate of interest would be much greater, wouldn't it?



1 MR. NEWTON: It would be less because he is
2 only paying on a reducing balance calculated half-
3 yearly. So he is only paying on what he owes after the
4 principal comes down.

5 MR. SEDGWICK: Tell me, because there is so
6 great a difference between 16 and 43 -- how do you
7 estimate it is 16%?

8 MR. NEWTON: She is paying \$1,000 on her
9 bonus over three years, which is \$333.00 a year on an
10 investment of \$2,000.00.

11 MR. SEDGWICK: All right. And then she is
12 paying interest on \$3,000 where she only gets \$2,000?
13 Isn't she?

14 MR. NEWTON: Yes.

15 MR. SEDGWICK: Have you considered that?

16 MR. NEWTON: No, that's right. So that's 24%,
17 I'm sorry. 24%.

18 MR. SEDGWICK: How many?

19 MR. NEWTON: 24.

20 MR. SEDGWICK: 24, and not 16. I see.
21 Then you remember a transaction with a Mr. and Mrs.
22 Pathick.

23 MR. NEWTON: Patchet?

24 MR. SEDGWICK: Pathick. P-a-t-h-i-c-k, who
25 owned a house, 213 Crawford Street. Remember that?

26 MR. NEWTON: Yes I do.

27 MR. SEDGWICK: That house I believe, when
28 they consulted you, was clear of mortgage, is that
29 right?
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MR. NEWTON: It would be less because he is only paying on a reducing balance calculated half-yearly. So he is only paying on what he owes after the previous year's interest.

MR. SEDGWICK: Tell me, because there is so great a difference between 16 and 43 -- how do you estimate it is 16?

MR. NEWTON: She is paying \$1,000 on her bonus over three years, which is \$333.00 a year on an investment of \$2,000.00.

MR. SEDGWICK: All right. And then she is paying interest on \$2,000 where she only gets \$2,000? Isn't she?

MR. NEWTON: Yes.

MR. SEDGWICK: Have you considered that?

MR. NEWTON: No, what's right. So that's 24.

I'm sorry. 24.

MR. SEDGWICK: How many?

MR. SEDGWICK: 24, and not 16. I see.

Then you remember a transaction with a Mr. and Mrs. Patrick.

MR. SEDGWICK: Patrick. P-a-t-r-i-c-k, who owned a house, 213 Crawford Street. Remember that?

MR. NEWTON: Yes I do.

MR. SEDGWICK: That house I believe, when they consulted you, was clear of mortgage, is that



1 MR. NEWTON: Yes, that is correct.

2 MR. SEDGWICK: Yes. And you got a mortgage
3 for \$2,880.00?

4 MR. NEWTON: Yes.

5 MR. SEDGWICK: First mortgage?

6 MR. NEWTON: Yes.

7 MR. SEDGWICK: You advanced \$2,000.00?

8 MR. NEWTON: Yes.

9 MR. SEDGWICK: Charged an \$880.00 bonus;
10 is that correct?

11 MR. NEWTON: That is correct, sir.

12 MR. SEDGWICK: And the interest rate there
13 was $7\frac{1}{2}\%$ for five years?

14 MR. NEWTON: That is correct, sir.

15 MR. SEDGWICK: It is said to me that the
16 true interest rate there would have been 28.5%; what
17 do you say was the true interest rate? This was a
18 first mortgage, by the way.

19 MR. NEWTON: 2880 - that was five years,
20 wasn't it?

21 MR. SEDGWICK: Five years and it was a first
22 mortgage.

23 MR. NEWTON: 9% by way of bonus and $7\frac{1}{2}\%$ by
24 way of interest. $16\frac{1}{2}\%$, sir.

25 MR. SEDGWICK: All right. Again you are not
26 including your interest on the amount of the mortgage,
27 which is 2880; isn't that right?

28 MR. NEWTON: That's correct. But the yield to
29 me would be about $16\frac{1}{2}\%$.



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MR. NEWTON: Yes, and you got a mortgage.
MR. SEDGWICK: Yes. And you got a mortgage.
MR. NEWTON: Yes.
MR. SEDGWICK: First mortgage?
MR. NEWTON: Yes.
MR. SEDGWICK: You advanced \$2,000.00?
MR. NEWTON: Yes.
MR. SEDGWICK: Charged an \$680.00 bonus;
is that correct?
MR. NEWTON: That is correct, sir.
MR. SEDGWICK: And the interest rate there
was 7 1/2% for five years?
MR. NEWTON: Yes, sir.
MR. SEDGWICK: It is said to me that the
true interest rate there would have been 28 1/2%, what
do you say was the true interest rate? This was a
first mortgage, by the way.
MR. NEWTON: 2880 - that was five years,
wasn't it?
MR. SEDGWICK: Five years and it was a first
mortgage.
MR. NEWTON: 2880 by way of bonus and 7 1/2% by
way of interest, is that, sir?
MR. SEDGWICK: All right. Again you are not
including your interest on the amount of the mortgage,
which is 2880; isn't that right?
MR. NEWTON: That is correct. But the question is
me would be about 10 1/2%.



1 MR. SEDGWICK: What do you mean the yield to
2 you?

3 MR. NEWTON: On my investment of \$2,000.00.

4 MR. SEDGWICK: That was a first mortgage?

5 MR. NEWTON: That was a first mortgage.

6 However, in this particular case we had a cloud on the
7 title and we went through with it and I guaranteed it
8 to the purchaser.

9 MR. SEDGWICK: What was the cloud?

10 MR. NEWTON: I don't recall but I have it in
11 my file and also an agreement to the purchaser that
12 if anything happened I would clear it up, make good.

13 MR. SEDGWICK: The mortgage was paid off?

14 MR. NEWTON: Yes. Subsequently.

15 MR. SEDGWICK: About a year and a half later?

16 MR. NEWTON: Yes.

17 MR. SEDGWICK: So that the cloud on the title
18 didn't constitute --

19 MR. NEWTON: No, of course not, but when I
20 advanced the funds the title was cloudy.

21 MR. SEDGWICK: Who was the Solicitor?

22 MR. NEWTON: Spring and Greenbaum.

23 MR. SEDGWICK: Who knew there was a cloud on
24 the title.

25 MR. NEWTON: Spring and Greenbaum. Mr. Spring
26 at the time.

27 MR. SEDGWICK: You don't know anything about
28 the nature of the cloud on the title?

29 MR. NEWTON: No, I don't, but there definitely
30



MR. SEDGWICK: What do you mean the yield to

MR. NEWTON: On my investment of \$2,000.00.

MR. SEDGWICK: That was a first mortgage?

MR. NEWTON: That was a first mortgage.

However, in this particular case we had a cloud on the title and we went through with it and I guaranteed it to the purchaser.

MR. SEDGWICK: What was the cloud?

MR. NEWTON: I don't recall but I have it in my file and also an agreement to the purchaser that if anything happened I would clear it up, make good.

MR. SEDGWICK: The agreement was with you?

MR. NEWTON: Yes. Subsequently.

MR. SEDGWICK: About a year and a half later?

MR. NEWTON: Yes.

MR. SEDGWICK: So that the cloud on the title

didn't materialize --

MR. NEWTON: No, of course not, but when I

advanced the funds the title was cloudy.

MR. SEDGWICK: Who was the Solicitor?

MR. NEWTON: Spring and Greenbaum.

MR. SEDGWICK: Who knew there was a cloud on

the title.

MR. NEWTON: I don't know.

at the time.

MR. SEDGWICK: You don't know anything about

the nature of the cloud on the title?

MR. NEWTON: No, I don't, but I think definitely.



1 was a cloud on the title.

2 MR. SEDGWICK: In that case I believe you did,
3 after a complaint was made, make a refund of \$780.00?

4 MR. NEWTON: That's correct.

5 MR. SEDGWICK: The bonus less \$100.00. Then
6 do you remember a Mr. Richard Croud?

7 MR. NEWTON: What is the address?

8 MR. SEDGWICK: I'm sorry I don't know the
9 address on that one. Let me take a different one. Do
10 you remember a Mr. [REDACTED] who had a home at 47
11 Jones Avenue.

12 MR. NEWTON: Yes, I do.

13 MR. SEDGWICK: And I understand that when he
14 consulted you there were two mortgages, a first mortgage
15 of \$1,600 and a second mortgage of \$600; do you
16 remember that?

17 MR. NEWTON: How much was that again, I'm
18 sorry?

19 MR. SEDGWICK: A first of 1600 and a second
20 of 600, when they consulted you.

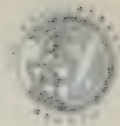
21 MR. NEWTON: I don't recall the payment figures.

22 MR. SEDGWICK: And I am told that you gave him
23 a first mortgage for \$4,500 at 7% and advanced \$3,000
24 on it; do you remember that?

25 MR. NEWTON: I'm taking your word for it. I
26 don't recall.

27 MR. SEDGWICK: The house, it was said to me,
28 was worth about \$12,000.

29 MR. NEWTON: Hardly, sir.
30



was a cloud on the title.

MR. SEDGWICK: In that case I believe you did,

after a complaint was made, make a refund of \$780.00.

MR. SEDGWICK: The house less \$100.00. Then

do you remember a Mr. Richard Grand?

MR. NEWTON: What is the address?

MR. SEDGWICK: I am sorry I don't know the

address on that one. Let me take a different one. Do

you remember a Mr. who had a home at 47

James Street?

MR. NEWTON: Yes, I do.

MR. SEDGWICK: And I understand that when he

consulted you there were two mortgages, a first mortgage

of \$1,000 and a second mortgage of \$600; do you

remember that?

MR. NEWTON: How much was that again, I'm

sorry.

MR. SEDGWICK: A first of 1000 and a second

of 600, when they consulted you.

MR. NEWTON: I don't recall the payment figures.

MR. SEDGWICK: And I am told that you gave him

a first mortgage for \$4,500 at 7% and advanced \$2,000

on it; do you remember that?

MR. NEWTON: I'm taking your word for it. I

don't recall.

MR. SEDGWICK: The house, it was sold to me,

and the mortgage was \$1,000.

MR. NEWTON: Hardly, sir.



1 MR. SEDGWICK: What?

2 MR. NEWTON: Hardly.

3 MR. SEDGWICK: Well, let's cut it. Was it
4 worth about \$9,000.00?

5 MR. NEWTON: This was on what street?

6 MR. SEDGWICK: Jones Avenue.

7 MR. NEWTON: Jones right near Queen. No, I
8 don't think so. This was an attached frame property.

9 MR. SEDGWICK: And the terms on that, I believe,
10 was for five years on the first mortgage; is that
11 correct?

12 MR. NEWTON: That is correct.

13 MR. SEDGWICK: And the interest rate 7%?

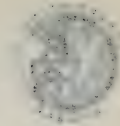
14 MR. NEWTON: Yes.

15 MR. SEDGWICK: So that the mortgage was for
16 \$4,500 and interest was payable on \$4,500 and \$3,000
17 was actually advanced? What do you say the true rate of
18 interest would be there?

19 MR. NEWTON: 17%.

20 MR. SEDGWICK: It was said to me, applying
21 what is called the English system that it was practical-
22 ly 30½%. At any rate, 17%, is that a fair interest rate
23 on a first mortgage?

24 MR. WHITE: May I interject here, Mr.
25 Sedgwick? This gentleman is applying his bonus as --
26 he is interpreting as flat interest, whereas we are talk-
27 ing about effective interest and I suspect he knows that
28 effective interest is just about double the flat interest
29 that he is adding into his annual interest -- just a
30 minute -- because it's --



MR. BEDGWICK: What?

MR. NEWTON: Handily.

MR. BEDGWICK: Well, let's put it. Was it

worth about \$2,000.00?

MR. NEWTON: This was on what street?

MR. BEDGWICK: Jones Avenue.

MR. NEWTON: Jones right near Green. No, I

don't think so. This was an abandoned frame property.

MR. BEDGWICK: And the terms on that, I believe

was for five years on the first mortgage; is that

MR. NEWTON: That is correct.

MR. BEDGWICK: And the interest rate was

MR. BEDGWICK: So that the mortgage was for

\$4,500 and interest was payable on \$4,500 and \$5,000

was actually advanced? What do you say the face of

interest would be there?

MR. NEWTON: Yes.

MR. BEDGWICK: It was paid to me, wasn't it?

what is called the English system that it was amortized-

ly 30%. At any rate, yes, is that a fair interest rate

on a first mortgage?

MR. NEWTON: May I interject here, Mr.

Bedgwick? This gentleman is applying his brains to --

he is interpreting as flat interest, whereas we are talk-

ing about effective interest and I suspect he knows that

effective interest is just about double the flat interest

that he is adding into his annual interest -- that a

man -- because this --



1 Now, you make a living with a pencil which I do not and
2 I am very confident you can figure just as quickly and
3 maybe a little faster than I can, but I can figure $30\frac{1}{2}\%$
4 on this. It may be a fractional error, but it's
5 between 30 and 31 and in this initial example which
6 you chose yourself, a \$900 bonus on \$2,000 over three
7 years, you take your advice as committed that it was
8 22% -- and I think it's 37% -- and that's just a way of
9 saving the Committee by talking about flat interest on
10 his bonus and effective interest on the actual rent of
11 the money.

12 MR. NEWTON: May I say this, sir. When we
13 received our new brokers' licence, this is the way we
14 are supposed to figure it.

15 MR. WHITE: Well, aside from that. You and I
16 know that that isn't the way it works and this is $30\frac{1}{2}\%$
17 on a first mortgage.

18 MR. SEDGWICK: Thank you, Mr. White. In any
19 event, to this extent I call Mr. White's argument. You
20 are taking the money and applying it over the term
21 although, in effect, it's made to you in advance, isn't
22 it? The bonus is paid to you in advance?

23 MR. NEWTON: Yes, it is.

24 MR. BELANGER: And he is not figuring on the
25 diminishing balance. He's applying it over the term
26 although he gets it at the start. Furthermore, Mr.
27 Chairman, I see here that (voice blurred)

28 MR. NEWTON: The only time we find a complaint
29 is when there --



Now, you make a living with a pencil which I do not and I am very confident you can figure just as quickly and maybe a little faster than I can, but I can figure 30% on this. It may be a fractional error, but it's between 30 and 31 and in this initial example which you chose yourself, a \$500 bonus on \$2,000 over three years, you take your advice as committed that it was 3% -- and I think it's 3% -- and that's just a way of saving the Committee of talking about the interest on his bonus and effective interest on the actual rate of the money.

MR. NEWTON: May I say this, sir. When we received our new bookkeeping license, this is the way we are supposed to figure it.

MR. WHITE: Well, aside from that, you and I know that that isn't the way it works and this is 30% on a first mortgage.

MR. BROWNE: Thank you, Mr. White. In any event, to this extent I call Mr. White's argument. You are taking the money and applying it over the term although, in effect, it's made to you in advance, isn't it? The bonus is paid to you in advance.

MR. NEWTON: Yes, it is.

MR. BELANGER: And he is not figuring on the diminishing balance. He's applying it over the term although he gets it at the start. Furthermore, Mr. Chairman, I see here that (voice lowered)

MR. NEWTON: The only time we find a complaint



1 MR. BELANGER: Inaudible.

2 MR. WHITE: Well, here's a case where the
3 man is charging 30 or 31% on a first mortgage.

4 MR. NEWTON: This mortgage combines a first,
5 second and third, when you see the property you will
6 believe me. This is not a --

7 MR. SEDGWICK: There's a separate business
8 in second mortgages, when we come to the second mortgage.
9 On the first mortgage, Mr. White's figures disagree
10 with the ones I have, but your actual interest was
11 about 30.5. Now on the second mortgage on the same
12 property the mortgage was for \$3,300.00; you recall
13 that?

14 MR. NEWTON: Yes.

15 MR. SEDGWICK: And you advanced \$2,000.00 at
16 7% for three years.

17 MR. NEWTON: But in each case I advanced
18 my own funds, sir. I'm out on a limb.

19 MR. SEDGWICK: Well I know, but there should
20 be some limit to even what your own funds should earn.
21 It was said to me that -- and Mr. White will check it --
22 that the effective or true interest rate there was
23 54.9%. You advanced \$2,000.00, you got a mortgage
24 for \$3,300 for three years at 7%. Now what do you say
25 the true interest, or effective interest rate on that
26 is?

27 MR. NEWTON: On how much, sir?

28 MR. SEDGWICK: The mortgage was for \$3,300,
29 the rate was 7%, the amount advanced was \$2,000 and
30 it was advanced for three years.



MR. WHITE: Well, here is a case where the

man is charging 30 or 31% on a first mortgage.

MR. NEWTON: This mortgage combines a first,

second and third, when you see the property you will

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about 30.5. Now on the second mortgage on the same

property the mortgage was for \$3,300.00; you recall

that

MR. NEWTON: Yes.

MR. SEDGWICK: And you advanced \$2,000.00 at

7% for three years.

MR. NEWTON: But in each case I advanced

my own funds, sir. I'm out on a limb.

MR. SEDGWICK: Well I know, but there should

be some limit to even what your own funds should earn.

It was said to me that -- and Mr. White will check it --

that the effective or true interest rate there was

24.9%. You advanced \$2,000.00, you got a mortgage

for \$3,300 for three years at 7%. Now what do you say

the true interest, or effective interest rate on that

was

MR. NEWTON: Oh how much, sir?

MR. SEDGWICK: The mortgage was for \$3,300.

the rate was 7%, the amount advanced was \$2,000 and

it was advanced for three years



1 MR. WHITE: I make it 55%.

2 MR. SEDGWICK: That's exactly what I get -
3 54.9.

4 MR. WHITE: It's $30\frac{1}{2}$ on the first and 55 on
5 the second - that's what it is. What do you make it?

6 MR. NEWTON: I agree, sir. I agree.

7 MR. SEDGWICK: You agree. Do you think that --
8 I am thinking of your ad that says you lend money at
9 low interest rates -- do you think that is a low interest
10 rate?

11 MR. NEWTON: No. I'm sure that they couldn't
12 have received the funds elsewhere.

13 MR. SEDGWICK: Did you try? Well, we haven't
14 had any other witness who was getting that high a rate
15 of interest, that's all I can say.

16 MR. WHITE: Well, don't you really think
17 that people would have been better off disposing of
18 the property, take the proceeds and pay off their
19 debts -- now, be fair about this?

20 MR. NEWTON: Yes, as a matter of fact, if
21 I remember correctly, they had to get rid of --
22 foreclosure -- when I saw these people.

23 MR. SEDGWICK: Do you remember a property
24 at 50 Calais Road owned by a Mr. and in
25 that case, and this is quite recent, early this year
26 or late last year, you -- yes, I believe it was a
27 first --

28 MR. NEWTON: I don't recall, sir.

29 MR. SEDGWICK: And the mortgage had a face
30



MR. WHITE: I make it 5%.

MR. SHEDDEN: That's exactly what I got -

MR. WHITE: It's 30% on the first and 25 on

the second - that's what it is. What do you make it?

MR. NEWTON: I agree, sir. I agree.

MR. SHEDDEN: You agree. Do you think that --

I am thinking of your ad that says you lend money at

low interest rates -- do you think that is a low interest

rate?

MR. NEWTON: No. I'm sure that they couldn't

have received the funds elsewhere.

MR. SHEDDEN: Did you try? Well, we haven't

had any other witness who was giving that kind a rate

of interest, that's all I can say.

MR. WHITE: Well, don't you really think

that people would have been better off disposing of

the property, take the proceeds and pay off their

debts -- now, be fair about that.

MR. NEWTON: Yes, as a matter of fact, in

I remember distinctly, they had to get rid of --

foreclosure -- when I saw these people.

MR. SHEDDEN: Do you remember a property

at 50 Calais Road owned by a Mr. --

that case, and this is quite recent, early this year

or late last year, you -- yes, I believe it was a

first --

I don't recall, sir.

MR. SHEDDEN: And the mortgage had a face



1 value of \$6,285.00, the interest rate, I believe, was
2 7%, and you actually advanced \$5,200.00. What do you
3 say the effective rate would be there? Do you remember
4 the term of that one?

5 MR. NEWTON: Five years, I imagine.

6 MR. SEDGWICK: Five years, all right.

7 MR. NEWTON: What was the principal amount?

8 MR. SEDGWICK: Principal amount, \$6,285.00,
9 and amount advanced \$5,200.00. I don't know the
10 interest rate.

11 MR. NEWTON: I think it was 7, if I am not
12 mistaken.

13 MR. SEDGWICK: You think it was 7, very well.

14 MR. NEWTON: I figure it 11%.

15 MR. SEDGWICK: The figure I have is $14\frac{1}{2}\%$.

16 However, in that case a complaint was made and I
17 believe you refunded \$650.00; is that correct? Following
18 the complaint?

19 MR. NEWTON: Yes, sir.

20 MR. SEDGWICK: And do you remember a mortgage
21 transaction with a Mr. Carney F. Bonus?

22 MR. NEWTON: Carney?

23 MR. SEDGWICK: No, Carney was his first
24 name. His name was Bonus and the property was situated
25 in the Town of Oakville. Do you remember that
26 transaction?

27 MR. NEWTON: It was quite a number of years
28 ago.

29 MR. SEDGWICK: Well, it was in June of 1960.



value of \$6,285.00, the interest rate, I believe, was 7%, and you actually advanced \$5,200.00. What do you

say the interest rate would be today? In the meantime the rate of this money

MR. NEWTON: Five years, I imagine

MR. SEDGWICK: Five years, all right.

MR. NEWTON: What was the principal amount?

MR. SEDGWICK: Principal amount, \$5,285.00,

and amount advanced \$5,200.00. I don't know the

interest rate.

MR. NEWTON: I think it was 7, if I am not

mistaken

MR. SEDGWICK: You think it was 7, very well.

MR. NEWTON: I figure it right.

MR. SEDGWICK: The figure I have is 12 1/2%.

However, in that case a complaint was made and I

believe you returned \$650.00; is that correct? Following

the complaint?

MR. NEWTON: Yes, sir.

MR. SEDGWICK: And so you returned a mortgage

transaction with a Mr. Garney B. Barnes?

MR. NEWTON: Garney?

MR. SEDGWICK: No, Garney was his first

name. His name was Barnes and the property was situated

in the town of Corvillie. Do you remember that

transaction?

MR. NEWTON: It was quite a number of years

ago.

MR. SEDGWICK: Well, it was in June of 1920.



1 That is not too long ago. And I am told that they
2 borrowed \$2,000 -- that is the amount that they got --
3 indeed I'm looking at the mortgage -- they got the
4 \$2,000.00, the mortgage was for \$3,385.00, the interest
5 rate was $7\frac{1}{2}\%$ and the term of the mortgage was five
6 years. Now what would you say was the true interest
7 rate on that?

8 MR. NEWTON: If I remember that transaction
9 correctly, sir, I didn't see the property but the
10 lawyer went up and inspected it for me and this is the
11 way he set it up, actually.

12 MR. SEDGWICK: I see.

13 MR. NEWTON: And he took it.

14 MR. SEDGWICK: The lawyer? Who was the
15 lawyer, do you recall?

16 MR. NEWTON: I don't recall.

17 MR. SEDGWICK: It was said to me -- and Mr.
18 White will check it -- the true interest rate there
19 would be 40.39% and that was a first mortgage.

20 MR. NEWTON: I hardly think so.

21 MR. SEDGWICK: The amount advanced was \$2,000.00,
22 the mortgage was for \$3,385.00, the term was five
23 years.--

24 MR. NEWTON: That's \$1,385 over five years.
25 The way I figure it, it's $21\frac{1}{2}\%$.

26 MR. SEDGWICK: Well, Mr. White, tell us.

27 MR. WHITE: Well, you are persisting in
28 applying your bonus on the amount borrowed. The man
29 only has half that amount over the term.
30



That is not too long ago. And I am told that they
borrowed \$2,000 -- that is the amount that they got --
indeed I'm looking at the mortgage -- they got the
\$2,000.00, the mortgage was for \$3,385.00, the interest
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MR. NEWTON: If I remember that transaction
correctly, sir, I didn't see the property but the
lawyer went up and inspected it for me and this is the
way he set it up, actually.

MR. SEDGWICK: I see.

MR. NEWTON: And he took it.

MR. SEDGWICK: The lawyer? Who was the

lawyer, do you recall?

MR. NEWTON: I don't recall.

MR. SEDGWICK: It was said to me -- and Mr.

White will check it -- the true interest rate there

would be 40.39% and that was a fixed mortgage.

MR. NEWTON: I hardly think so.

MR. SEDGWICK: The amount advanced was \$2,000.00

the mortgage was for \$3,385.00, the term was five

years --

MR. NEWTON: That's \$1,385 over five years.

The way I figure it, it's 21%.

MR. SEDGWICK: Well, Mr. White, tell us.

MR. WHITE: Well, you are negotiating in

applying your bonus on the amount borrowed. The man

only has half that amount over the term.



1 MR. NEWTON: I see.

2 MR. WHITE: He is paying it back all the
3 time. You must know that. I worked this out to 39,
4 Mr. Sedgwick has 40. You must -- now, don't tell us
5 that you don't know the difference between flat
6 interest and effective interest? This is a first at
7 40%.

8 MR. SEDGWICK: That is right. And this
9 property, Mr. Newton, we are agreed it was a first
10 mortgage and I am looking at a letter from a
11 Solicitor who says that it had a conservative value
12 of \$8,000.00 and your actual advance was \$2,000.00.
13 That would be a prime mortgage, wouldn't it?

14 MR. NEWTON: I didn't see the property, sir,
15 I'm sorry.

16 MR. SEDGWICK: Would you be interested in
17 the property? You are lending money on it.

18 MR. NEWTON: Well, this lawyer went out and
19 saw it and took it without --

20 MR. SEDGWICK: Well, didn't he give you
21 a valuation?

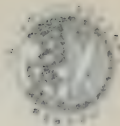
22 MR. NEWTON: He did. It wasn't too good.

23 MR. SEDGWICK: Well, wasn't it more than
24 \$4,000.00?

25 MR. NEWTON: Not according to him, I don't
26 think.

27 MR. SEDGWICK: Well, what was his name?
28 Who gave you the valuation?

29 MR. NEWTON: I don't recall, but I imagine if
30



MR. NEWTON: I see.

MR. WHITT: He is paying it back all the time. You must know that. I worked him out to 30. Mr. Sedgwick has 40. You must -- now, don't tell me that you don't know the difference between first interest and effective interest? This is a first at

MR. SEDGWICK: Well, in fact,

property, Mr. Newton, we are agreed it was a first mortgage and I am looking at a letter from a Solicitor who says that it had a conservative value of \$8,000.00 and your actual advance was \$2,000.00. That would be a pretty good mortgage, wouldn't it? MR. NEWTON: I didn't see the property, sir.

It is --

MR. SEDGWICK: Would you be interested in the property? You are lending money on it. MR. NEWTON: Well, that lawyer went out and saw it and took it without --

MR. SEDGWICK: Well, didn't he give you

a valuation?

MR. NEWTON: He did. It wasn't too good.

MR. SEDGWICK: Well, wasn't it more than

\$4,000.00?

MR. NEWTON: Not according to him, I don't

think.

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Who gave you the valuation?

MR. NEWTON: I don't recall, but I imagine it



1 he took the mortgage, either for himself or for a
2 client, it would be on the title.

3 MR. SEDGWICK: You assigned the mortgage
4 to a Mrs. Sarah Lavine; does that bring his name
5 back?

6 MR. NEWTON: No, no, sir.

7 MR. SEDGWICK: And the name of the lawyer
8 on the assignment is Henry ; does that
9 bring his name back to you? Was that the lawyer, Henry
10 ?

11 MR. NEWTON: Yes, sir.

12 MR. SEDGWICK: And you say that he saw the
13 property and he valued it and considered that a loan
14 of \$2,000 should bear interest at something like an
15 effective rate of 40%?

16 MR. NEWTON: Yes, sir.

17 MR. LAWRENCE: Who was he acting for?

18 MR. NEWTON: For the purchaser of the mortgage.

19 MR. LAWRENCE: For the purchaser of the
20 mortgage. He wasn't acting for the owner of the
21 property?

22 MR. NEWTON: No.

23 MR. LAWRENCE: Who was acting for the owner?

24 MR. NEWTON: I don't recall who it was at
25 that particular time.

26 MR. SEDGWICK: I thought you said earlier,
27 Mr. Newton, that your firm advanced its own money?

28 MR. NEWTON: It does.

29 MR. SEDGWICK: It did it in this case?
30



he took the mortgage, either for himself or for a client, it would be on the title.

MR. SEDGWICK: You assigned the mortgage

to a firm, didn't you?

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MR. SEDGWICK: And the name of the lawyer

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1 MR. NEWTON: It may have. I don't recall,
2 to be honest with you, Mr. Sedgwick. There may be
3 one or two isolated cases where I didn't.

4 MR. SEDGWICK: I see that the mortgage
5 itself is to Forest Hill Investment Corporation on
6 the 3rd of June, 1960.

7 MR. NEWTON: Then I think we did advance
8 the funds.

9 MR. SEDGWICK: Then on the 17th of June,
10 1960, it was assigned to Sarah Lavine. Do you know
11 how much was paid to you for the mortgage?

12 MR. NEWTON: It wasn't very much. I don't
13 recall, sir.

14 MR. SEDGWICK: Could you find out?

15 MR. NEWTON: Certainly.

16 MR. SEDGWICK: Mr. no doubt would
17 know?

18 MR. NEWTON: He would know, yes sir.

19 MR. SEDGWICK: He was probably the lawyer
20 who saw the property and valued it?

21 MR. NEWTON: Probably.

22 MR. SEDGWICK: And you remember Mr. P. M.
23 Martin of Schomberg, Ontario?

24 MR. NEWTON: Oh, yes.

25 MR. SEDGWICK: He owned a house, did he? A
26 house in Schomberg?

27 MR. NEWTON: Well, it wasn't much of a house.

28 MR. SEDGWICK: It wasn't much of a loan. I
29 understand that in that case you lent him \$500.00 on
30



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MR. NEWTON: Certainly.

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know.

MR. NEWTON: He would know, you said.

MR. SEDGWICK: He was probably the lawyer

who saw the property and valued it?

MR. NEWTON: Probably.

MR. SEDGWICK: And you remember Mr. F. M.

Martin of Scarborough, Ontario?

MR. NEWTON: Oh, yes.

MR. SEDGWICK: He owned a house, didn't he?

house in Scarborough?

MR. NEWTON: Well, it wasn't much of a house.

MR. SEDGWICK: It wasn't much of a loan. I

understand that in that case you lent him \$500.00 on



1 the security of a mortgage; is that right?

2 MR. NEWTON: I think so.

3 MR. SEDGWICK: Was it a first or a second
4 mortgage?

5 MR. NEWTON: A second mortgage.

6 MR. SEDGWICK: And he received \$430.71; does
7 that ring a bell with you?

8 MR. NEWTON: No.

9 MR. SEDGWICK: I'll read a letter from him
10 to Mr. White and invite you to comment on it. It
11 reads, "Perhaps you should check Forest Hill Investment
12 Corporation Limited and Mr. Newton, Eglinton Avenue
13 West, Toronto. Their ads are as phoney as these other
14 fellows'. I got sucked in for a second mortgage loan
15 of \$500.00 I asked for but only received \$430.71. His
16 lawyer was Mr. of
17 They've got me hooked real bad. The owner of the
18 mortgage is now Norman Sullivan, 35 Baden Street,
19 Toronto. There was no bonus in the ads and yet when
20 the papers came through it said I owed \$875.00
21 including \$375.00 for a bonus plus interest at 7% per
22 annum. Falls due April 28, 1961 and they had the nerve
23 to say I get all the \$303.82 in spite of the fact that
24 I paid \$30.00 a month for 22 months." Now, according
25 to that, you will correct the figures if they are
26 wrong, Mr. Martin got, in fact, \$430.71 but he owed
27 \$875.00 and had to pay interest at 7% per annum on
28 the \$875.00.

29 MR. NEWTON: Well, I think --
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Corporation Limited and Mr. Newton, Eglington Avenue

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wrong. Mr. Martin got, in fact, \$430.71 but he owed

\$875.00 and had to pay interest at 7% per annum on

the \$875.00.

MR. NEWTON: Well, I think --



1 MR. SEDGWICK: For a period of -- wait a
2 minute -- and for a two year term; is that right?
3 What would you say was the effective interest there?

4 MR. NEWTON: That was the \$500.00 -- I think
5 we paid some arrears of taxes or to increase the
6 insurance.

7 MR. SEDGWICK: Well, even so, if he owed
8 \$875.00 and got \$500.00 and paid 7% for a two year
9 term, what do you say the rate would be there? I'll
10 give you a hint -- the accountant who has done it for
11 me says it was 87.3%. The advance was \$500.00,
12 mortgage was \$875, the rate was 7% for a term of two
13 years.

14 MR. NEWTON: There again, sir, I wasn't out
15 to see that property. I didn't arrange the loan,
16 really.

17 MR. SEDGWICK: Well weren't you interested
18 in whether it was a good or a bad loan?

19 MR. NEWTON: The lawyer took it and that
20 was all there was to it.

21 MR. SEDGWICK: Who was the lawyer?

22 MR. NEWTON: Mr. Jessop.

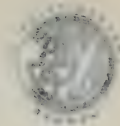
23 MR. SEDGWICK: Who?

24 MR. NEWTON: Mr. Jessop.

25 MR. SEDGWICK: Mr. Jessop.

26 MR. NEWTON: I'm sorry, he saw the -- he
27 inspected the property for me, that's the way it was.

28 MR. WHITE: It was paid on a diminishing
29 balance, I think it was over 100%, but there was a
30



MR. SEDGWICK: For a period of -- wait a

minute -- and for a two year term; is that right?

What would you say was the effective interest there?

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was all there was to it.

MR. SEDGWICK: Who was the lawyer?

MR. NEWTON: Mr. Jessop.

MR. SEDGWICK: Who?

MR. SEDGWICK: Mr. Jessop.

MR. NEWTON: I'm sorry, no how the -- he

represented the property for me, that's the way it was.

MR. WHITE: It was paid on a first mortgage

balance, I think it was over 100%, but there was a



1 balloon on the end there so it made it less than 100%.
2 Paid over a period it works out to 114%.

3 MR. SEDGWICK: (Voice inaudible)

4 MR. BELANGER: Do you get your licence every
5 year?

6 MR. NEWTON: Yes, sir.

7 MR. SEDGWICK: Mr. Newton, I think this is
8 my last question. I am looking at an advertisement.
9 I think it's published by you because it seems to be
10 your picture. Do you recognize that?

11 MR. NEWTON: That's not my picture, sir.

12 MR. SEDGWICK: Well, do you recognize the
13 advertisement. It says Forest Hill Investment
14 Corporation. Is that your company?

15 MR. NEWTON: Voice inaudible.

16 MR. SEDGWICK: I see it says -- I read this
17 to you and invite your comments -- "Best of all our
18 interest rates are low. The total cost of your loan
19 is up to you. In other words you can take years to
20 repay or pay back within weeks." In the light of these
21 cases, would you say it is a fair statement to say
22 that your interest rates are low?

23 MR. NEWTON: These transactions were quite
24 a time back, Mr. Sedgwick.

25 MR. SEDGWICK: Oh, no, some of them were for
26 this year, or no later than the end of last year.

27 MR. NEWTON: I think most of them were in
28 1960.

29 MR. WHITE: Well, would that make a
30 difference?



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MR. NEWTON: Yes, sir.

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my last question. I am looking at an advertisement.

I think it's published by you because it seems to be

your picture. Do you recognize that?

MR. NEWTON: That's not my picture, sir.

MR. BRIDGEMAN: Well, do you recognize the

advertisement. It says Forest Hill Investment

Corporation. Is that your company?

MR. NEWTON: No, sir.

MR. BRIDGEMAN: I see it says -- I read this

to you and invite your company -- "Best of all our

interest rates are low. The total cost of your loan

is up to you. In other words you can take your

money or pay back within weeks." In the light of these

facts, would you say it is a fair statement to say

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MR. NEWTON: These propositions were put to

a time back, Mr. Bridgeman.

MR. BRIDGEMAN: Oh, no, some of them were for

this year, or no later than the end of last year.

MR. NEWTON: I think most of them were in

1960.

MR. WHITE: Well, would that make a

difference?



1 MR. NEWTON: Well, I think Mr. Simone, under
2 the circumstances, is doing a really good job.

3 MR. SEDGWICK: Well, what would have happened
4 if we hadn't had Mr. Simone? It would seem that the
5 only time you make a rebate is when Mr. Simone examines
6 the transaction and finds it unconscionable -- I use
7 the word without reference to this Act -- and then
8 apparently you make a rebate virtually when (voice
9 inaudible)

10 MR. NEWTON: Not in all cases. When the
11 borrower comes back to us and says, "You charged us
12 too much", well, we settle it with him.

13 MR. SEDGWICK: If he doesn't come back, you
14 just accept your money -- if he doesn't complain?

15 MR. NEWTON: If he doesn't complain -- a lot
16 of this is given to the purchaser of the mortgage. This
17 isn't all kept by myself.

18 MR. SEDGWICK: Do you have any figures as to
19 what split you get when you sell these bonus mortgages?

20 MR. NEWTON: Well, I can give you financial
21 figures for this year --

22 MR. SEDGWICK: No, those are the overall. I
23 mean on specific mortgages. Where there is a bonus
24 of \$2,000, how much of the bonus do you keep when you
25 sell the mortgage?

26 MR. NEWTON: Well, it would be about 25 or 30%.

27 MR. WHITE: You keep as much as you can.

28 MR. LAWRENCE: You mean it's only 25% of some
29 of those deals?
30



Mr. [Name] I [Name] [Name]

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MR. [Name]: Well, what would have happened

if we hadn't had Mr. [Name]? It would have been the

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of these deals?



1 MR. NEWTON: Pardon?

2 MR. WHITE: You mean you only kept 25% of
3 some of those bonuses?

4 MR. NEWTON: That is correct, sir.

5 MR. WHITE: Well, you're not selling very
6 well. I find that hard to accept, Mr. Chairman. I don't
7 believe that.

8 MR. NEWTON: Well, I'll show you our financial
9 statements this year where we haven't made \$1,000.00
10 since the first of January.

11 MR. LAWRENCE: Well, all kinds of things --
12 (voice inaudible) The thing that intrigues me in all
13 this, Mr. Newton, is -- the usual thing is you send
14 somebody out, usually a lawyer, to take a look at -- in
15 a couple of these cases you sent a lawyer out to take
16 a look at these properties and you get a committment
17 for the sale and you purchase the mortgage after you
18 advance your funds. Now this business of sending a
19 lawyer out to take a look at the property has nothing
20 to do with the protection of the owner of the property
21 at all?

22 MR. NEWTON: No.

23 MR. LAWRENCE: And you, yourself, would be
24 advancing your own funds and then selling to these
25 people after you have already got a committment?

26 MR. NEWTON: Yes.

27 MR. LAWRENCE: I don't see how you could
28 possibly lose on a thing like that. Where is the only
29 risk, as far as you are concerned (voice inaudible)
30



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1 MR. NEWTON: Well, in these cases where a
2 lawyer goes out, there isn't an element of risk at
3 all.

4 MR. LAWRENCE: There is no element of risk
5 at all. Well, the next thing that intrigues me is who
6 would be acting to protect the interests of -- sometime
7 the ignorant but noble public, the man who owns the
8 property -- do you ever caution these people that they
9 should have a lawyer or a counselor or something like
10 that looking after their interests?

11 MR. NEWTON: Yes.

12 MR. LAWRENCE: And in these cases do you make
13 sure that there is?

14 MR. NEWTON: Oftentimes they don't want to.

15 MR. LAWRENCE: Well in these particular
16 instances here, were there lawyers on any of those
17 deals at all?

18 MR. NEWTON: I hardly think so.

19 MR. LAWRENCE: You don't think so?

20 MR. NEWTON: I don't recall.

21 MR. LAWRENCE: They just walked in and, in
22 effect, you --

23 MR. NEWTON: Well, a lawyer, in this parti-
24 cular case, went out to see the property.

25 MR. LAWRENCE: Yes, but that's got nothing to
26 do with the protection of the man himself, who walks
27 in there, this is to your benefit that the lawyer goes
28 out to look at the property. Do you not think that there
29 is at least some ethical code for you people at all --
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out to look at the property. Do you not think that there

is at least some ethical code for you people at all --



1 that you should insist that there be some third
2 independent, impartial person at least who has the
3 interest --

4 MR. NEWTON: I think this would be the best
5 idea actually.

6 MR. LAWRENCE: You think it would be a good
7 idea?

8 MR. NEWTON: Yes.

9 MR. LAWRENCE: But you don't try to, do you?
10 Ask them to go get somebody?

11 MR. NEWTON: Yes. I ask them, yes.

12 MR. LAWRENCE: You ask them?

13 MR. NEWTON: Yes.

14 MR. LAWRENCE: In every case no is the
15 answer?

16 MR. NEWTON: Not in every case, no.

17 MR. BELANGER: How long have you been in
18 this business?

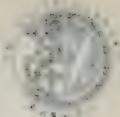
19 MR. NEWTON: Since September of 1954.

20 MR. BELANGER: Voice inaudible

21 MR. MACDONALD: Has there ever been any
22 question of cancelling or refusing the renewal of your
23 licence?

24 MR. NEWTON: Yes, there was, when Mr. Simone
25 asked me to pay these people back \$1,000.00 or my
26 licence would be cancelled forthwith. And I do realize
27 that Mr. Simone does have a difficult task to perform
28 and under the circumstances I did pay back the \$1,000.00.

29 MR. MACDONALD: He would need a staff to
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MR. NEWTON: Since September of 1924.

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that Mr. Simone does have a difficulty when to perform

and under the circumstances I did pay back the \$1,000.00

MR. MACDONALD: He would need a staff to



1 pursue your activities alone.

2 MR. NEWTON: I hardly think so.

3 MR. MACDONALD: On the basis of what we have
4 heard -- I mean I'm just referring to what I've heard
5 this afternoon and I think he would need to have a
6 staff to pursue that alone.

7 MR. SEDGWICK: Mr. Newton, I should ask you
8 this. As to the source of your funds, do you not,
9 from time to time, advertise for public funds on which
10 you offer to pay 9%?

11 MR. NEWTON: For very, very brief periods.

12 MR. SEDGWICK: You did that type of --

13 MR. NEWTON: Very, very, brief, yes.

14 MR. SEDGWICK: Some of your monies then,
15 would be monies that you get from the public on which
16 you pay 9%, is that right?

17 MR. NEWTON: They are negligible actually.

18 MR. SEDGWICK: But you did advertise for
19 certain funds?

20 MR. NEWTON: Yes.

21 MR. SEDGWICK: You advertise on the air and
22 through the press?

23 MR. NEWTON: Right.

24 MR. REILLY: I was going to ask, Mr. Chairman,
25 what is the lowest mortgage that -- this one of Martin
26 in Schomberg was \$430.00 and that was for \$875.00 --
27 what's the lowest mortgage you have issued?

28 MR. NEWTON: One that comes to mind immediately
29 is I advanced \$20,000.00 at 11%.

30



actividades muy suaves.

MR. WILSON: I would object to that.

this afternoon and I think he would need to have a

...to pursue that alone.

MR. SEDGWICK: Now, the second I would like you

As to the source of your funds, do not tell this.

From time to time, advertise for public funds in which

NOV 17 1940

MR. NEWTON: For very, very brief periods.

MR. SEDGWICK: Some of you wanted then,

would be wanted that you get from the public or which

For any of these things

through the press.

At 12:00, 00,000,00\$ bonds I at



1 MR. REILLY: That's the lowest rate that
2 comes to your mind? \$20,000.00 at 11%?

3 MR. NEWTON: Yes, and we charged him \$1,000.00
4 to cover legal fees and disbursements.

5 MR. REILLY: From the standpoint of the lowest
6 amount of money that you have lent, what would be the
7 lowest amount?

8 MR. NEWTON: 1501 for 1750 at 10% including
9 legal fees and disbursements.

10 MR. REILLY: Now, that 1501 is \$1,501 -- you
11 were telling us that this Mr. Martin in Schomberg was
12 \$430.00. Have you issued mortgages for less than \$430.

13 MR. NEWTON: This is just the one case where
14 we --

15 MR. REILLY: If you have to have your own
16 funds in order to finance a deal like this, how much
17 money does a man have to have in order to handle all
18 this mortgage money?

19 MR. NEWTON: Not too much, really, because --

20 MR. REILLY: \$100,000.00?

21 MR. NEWTON: You wouldn't need that much.

22 MR. REILLY: I beg your pardon?

23 MR. NEWTON: You wouldn't need that much.

24 MR. REILLY: You wouldn't need \$100,000.00
25 and you could still manipulate in the mortgage field
26 for less than that on these amounts?

27 MR. NEWTON: If you have the clients that
28 will take them readily, or lend you money against them
29 readily. Oftentimes it does the mark -- close to that,
30 yes.

MR. REILLY: That's the lowest rate that

comes to your mind? \$20,000.00 at 11%?

MR. NEWTON: Yes, and we charged him \$1,000.00

to cover legal fees and disbursements.

MR. REILLY: From the standpoint of the lowest

amount of money that you have lent, what would be the

lowest amount?

MR. NEWTON: \$501 for 1950 at 10% including

legal fees and disbursements.

MR. REILLY: Now, that \$501 is \$1,501 -- you

were telling us that this Mr. Martin in December was

\$420.00. Have you issued mortgages for less than \$420.

MR. NEWTON: This is just the one case where

we --

MR. REILLY: If you have to have your own

funds in order to finance a deal like this, can you

money does a man have to have in order to handle all

this mortgage money?

MR. NEWTON: Not too much, really, because --

MR. REILLY: I beg your pardon.

MR. REILLY: I beg your pardon.

MR. NEWTON: You wouldn't need that much.

MR. REILLY: You wouldn't need \$100,000.00?

and you could still mortgage it, the mortgage being

for less than that on these amounts?

MR. NEWTON: If you have the assets that

will take them readily, or land and money against them

readily. Sometimes it does not work -- does it not,



1 MR. LETHERBY: Mr. Chairman, I would like
2 to make one observation. That is, having regard to
3 the testimony which has been brought before this
4 Committee this afternoon, I am thinking that Jesse James
5 was nothing but a piker compared to some of these
6 investment corporations which are let loose on the
7 public at this time.

8 MR. IRWIN: Mr. Chairman, I have a couple
9 of questions. Maybe this may sound as if I am taking
10 the part of the witness. I am not really, I am merely
11 trying to establish the truth of the thing. In the
12 instances where you have, Mr. Newton, charged a bonus,
13 is the comparable risk, -- I don't mean in amount, but
14 in principle -- with the brokerage fee?

15 MR. NEWTON: Yes.

16 MR. IRWIN: We have heard from other people
17 where they are charging brokerage fees.

18 MR. NEWTON: Yes.

19 MR. IRWIN: You didn't charge a brokerage
20 fee in addition to this?

21 MR. NEWTON: No, we don't.

22 MR. IRWIN: If a broker is entitled to a fee
23 in principle, part of the bonus would be your fee, is
24 that right? I just wanted to make that point so that
25 we could compare other testimony that we have heard.
26 The second point I wanted to ask was -- I'm not disputing
27 the calculations that were presented on the various
28 situations, but I think in all cases they would be
29 assuming the total paid in the five year or three
30 year period in order to reach those rates of interest



MR. LINTHICUM: Mr. Chairman, I would like

to make one observation. That is, having regard to

the testimony which has been brought before this

Committee this afternoon, I am thinking that Jesse James

was nothing but a piker compared to some of these

investment corporations which are let loose on the

public at this time.

MR. IRWIN: Mr. Chairman, I have a couple

of questions. Maybe this may sound as if I am taking

the part of the witness. I am not really, I am merely

trying to establish the truth of the thing. In the

instances where you have, Mr. Newton, charged a bonus,

is the comparable risk, -- I don't mean the amount, but

in principle -- with the brokerage fees?

MR. NEWTON: Yes.

MR. IRWIN: We have heard from other people

where they are charging brokerage fees.

MR. NEWTON: Yes.

MR. IRWIN: You didn't charge a brokerage

fee in addition to this?

MR. NEWTON: No, we don't.

MR. IRWIN: If a broker is entitled to a fee

in principle, part of the bonus would be your fee, is

that right? I just wanted to make sure about that.

We could compare other testimony that we have heard.

The second point I wanted to ask was -- I'm not disputing

the calculations that were presented on the various

situations, but I think in all cases they would be

assuming the total paid in the five years or there

about equal in order to reach these rates of interest



1 In each case were these total pay-outs -- to the
2 extent that there was a relatively large payment at
3 the end of the five year or three year term?

4 MR. NEWTON: That is correct, sir.

5 MR. IRWIN: The calculations would be affected
6 by the existence of this final payment?

7 MR. NEWTON: That's right.

8 MR. IRWIN: Third, so that we would have to
9 have the knowledge of what that final payment was
10 before the true or effective rate of interest could be
11 determined. The final area of questioning was this:
12 I don't know just how to hazard this, but -- are you
13 aware, have you the facilities, staff, tables,
14 calculators and so on, to make you aware of these high
15 effective rates of interest that have been talked
16 about this afternoon?

17 MR. NEWTON: No.

18 MR. IRWIN: What facilities do you have?

19 MR. NEWTON: My own calculations and the
20 amortization table from Boston.

21 MR. IRWIN: What tables do you use?

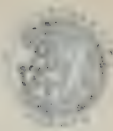
22 MR. NEWTON: The $7\frac{1}{2}\%$ amortized over five
23 years, etc.

24 MR. IRWIN: Who were they put out by?

25 MR. NEWTON: Boston -- I think they are
26 printed for Canada, or the Province of Ontario.

27 MR. IRWIN: For the straight amortization
28 tables?

29 MR. NEWTON: Calculated half-yearly --
30



In each case there was a relatively large payment at

the end of the five year or longer term.

MR. IRWIN: The calculations would be affected by the existence of this final payment.

MR. NEWTON: That's right.

MR. IRWIN: Third, so that we would have to

have the knowledge of what that final payment was

before the time or effective rate of interest could be determined. The final area of questioning was this:

"Don't know just how to handle this, but -- and you aware, have you the facilities, staff, tables,

calculations and so on, to make you aware of these high effective rates of interest that have been talked

about this afternoon?

MR. NEWTON: No.

MR. IRWIN: What facilities do you have?

MR. NEWTON: My own calculations and the

MR. IRWIN: What advice do you want?

MR. NEWTON: The 7% mentioned over time

MR. IRWIN: Who were they not and why?

MR. NEWTON: Boston -- I think they are

printed for Canada, or the Province of Ontario.

MR. IRWIN: For the straight amortization

MR. NEWTON: Calculated half-yearly --



1 MR. IRWIN: You don't have tables with
2 present values of 1 or half of 1, different rates of
3 interest and so on?

4 MR. NEWTON: Different rates.

5 MR. IRWIN: You have tables giving present
6 values of amounts of 1, different rates of interest
7 and different periods of time?

8 MR. NEWTON: Well, they range from $4\frac{1}{2}\%$ to
9 20 --

10 MR. IRWIN: You aren't answering my question.
11 You don't have actuarial tables which would enable you,
12 with the knowledge of the use of them, to determine
13 the exact effective rate of interest. Do you have any --

14 MR. WHITE: Mr. Irwin, on that point though,
15 let's acknowledge the fact that this fellow has got
16 a brain like a Univac. With a pencil and an envelope
17 he can figure out the effective rate of interest
18 within a decimal point and whether it's 86% or 87%
19 doesn't make a great deal of difference to him.

20 MR. IRWIN: I'm not disagreeing, Mr. White,
21 I am just trying to examine a point here, not that I
22 am siding with the witness, but I do want to --

23 MR. WHITE: He is not operating through
24 ignorance.

25 MR. IRWIN: No. You do then have a select
26 formula of allocating the bonus over the term and then
27 calculating the rate of interest on the mortgage value
28 and dividing that by the amount loaned, you can
29 determine to your own satisfaction what you think you
30



MR. IRWIN: You don't have tables with

present values of 1 or half of 1, different rates of interest and so on?

MR. NEWTON: Different rates.

MR. IRWIN: You have tables giving present

values of amounts of 1, different rates of interest and different periods of time?

MR. NEWTON: Well, they range from 1/2 to

--

MR. IRWIN: You know, I'm not a mathematician,

You don't have actuarial tables which would enable you, with the knowledge of the use of them, to determine

the exact effective rate of interest. Do you have any -- MR. WHITE: Mr. Irwin, on that point perhaps,

let's acknowledge the fact that this fellow has got

a brain like a Unix. With a pencil and an eraser,

he can figure out the effective rate of interest

within a second's point and whether it's 1/2 or 1/4

doesn't make a great deal of difference to him

MR. IRWIN: I'm not disagreeing, Mr. White,

I am just trying to examine a point here, not that I am siding with the witness, but I do want to --

MR. WHITE: He is not operating through

the

MR. IRWIN: No. You do then have a table

formula of allocating the money over the term and then

calculating the rate of interest on the amount

and dividing that by the amount loaned. You can

calculate the same way for any other term you



1 are getting is an effective rate of interest.

2 MR. NEWTON: That's right.

3 MR. IRWIN: But you are ignoring, as Mr.
4 White has pointed out, that the principal is being
5 retired over the period of time subject to the fact
6 that there is still a final payment to be made?

7 MR. NEWTON: That is correct.

8 MR. IRWIN: Do you take this further step --
9 this is what I'm undecided about -- in your own mind how
10 can you come up with 16.3% on that first illustration--
11 you also make a mental calculation saying that, in
12 effect, I am getting 38%?

13 MR. NEWTON: No, sir.

14 MR. IRWIN: Well, I think this is very
15 important, to know that you think that you are
16 operating at --

17 MR. MACDONALD: He knows what he's getting.

18 MR. NEWTON: If I went to borrow, say,
19 \$1,000 from the bank and they said your rate was 6%
20 but they deducted, say, \$6.00 from the hundred and
21 divided it by, say 12 months. This is no longer 6%.
22 There are so many different ways of calculating it.

23 MR. IRWIN: Are you pleased with your
24 showing how much money you make?

25 MR. MACDONALD: Oh, Mr. Chairman, that brings me
26 to a point that I was a little bit baffled by, almost
27 speechless. Do you really contend that since the
28 beginning of this year that in this operation you made
29 only \$1,000.00?

30



are getting is an effective mode of increase.

MR. NEWTON: That's right.

MR. IRWIN: But you are increasing, as Mr.

White has pointed out, that the principal is being

retired over the period of time subject to the fact

that there is still a final payment to be made.

MR. NEWTON: That is correct.

MR. IRWIN: Do you take that further step --

this is what I'm understood about -- in your own mind how

can you come up with 16.38 on this time limitation --

you also make a mental calculation saying that, in

effect, I am getting 38 1/2.

MR. NEWTON: No, sir.

MR. IRWIN: Well, I think this is very

important, to know that you think that you are

operating at --

MR. NEWTON: It is a very close question.

MR. NEWTON: If I want to borrow, say,

\$1,000 from the bank and they send your rate was 6 1/2

but they deducted, say, 50.00 from the hundred and

divided it by, say, 12 months. Total is no longer 6 1/2.

There are so many different ways of calculating it.

MR. IRWIN: Are you pleased with your

showing how much money you want?

MR. NEWTON: Mr. Chairman, that brings me

to a point that I was a little bit puzzled by, namely

speculation. Do you really contend that since the

beginning of this year that in fact operations are now made

only \$1,000,000



1 MR. NEWTON: That's correct, sir.

2 MR. BELANGER: That's one of the greatest
3 fallacies -- (voice inaudible)

4 MR. NEWTON: I would be very happy to bring
5 you a financial statement right up to date.

6 MR. BELANGER: (Voice inaudible) -- You say
7 that you haven't made \$1,000 --

8 MR. NEWTON: Other than myself, over and
9 above myself.

10 MR. BELANGER: What do you pay yourself?

11 MR. NEWTON: \$150.00 a week.

12 MR. BELANGER: And your expenses -- what do
13 you consider your expenses for the office and so forth,
14 that you have?

15 MR. NEWTON: Well, my rent is \$175.00, car
16 expenses, I guess, \$50.00 -- nothing exhorbitant.

17 MR. MACDONALD: How do you explain the fact
18 that other brokers are surviving when they are charging
19 much less?

20 MR. NEWTON: I understand they are falling by
21 the wayside or finding it very difficult.

22 MR. LETHERBY: It ain't what they told us.

23 THE CHAIRMAN: Any further questions?

24 MR. LAWRENCE: Quite frankly, I'm not worried
25 about how much you are making or what your overhead is,
26 perhaps even what you are charging to some people,
27 because I don't think we can judge here in all cases what
28 is actually moral, what is even unconscionable. But
29 the thing that does worry me is your attitude here and
30



MR. NEWTON: That's correct, sir.

MR. BELMONT: That's one of the greatest

falsities -- (voice inaudible)

MR. NEWTON: I would be very happy to bring

you a financial statement right up to date.

MR. BELMONT: (Voice inaudible) -- You say

that you haven't made \$1,000 --

MR. NEWTON: Other than myself, even and

above myself.

MR. BELMONT: What do you pay yourself?

MR. NEWTON: \$10,000 a year.

MR. BELMONT: And your expenses -- what do

you consider your expenses for the office and so forth,

that you have?

MR. NEWTON: Well, my rent is \$175.00, car

expenses, I guess, \$20.00 -- nothing extraordinary.

MR. MASON: How do you explain the fact

that other brokers are surviving when they are charging

much less?

MR. NEWTON: I understand they are failing by

the wayside or finding it very difficult

MR. BELMONT: It isn't what they do or not.

THE CHAIRMAN: Any further questions?

MR. LAWRENCE: Quite frankly, I'm not worried

about how much you are making or what your overhead is,

perhaps even what you are charging to some people.

because I don't think we can judge him in all cases what

is actually honest, what is even reasonable. But

the thing that does worry me is your attitude here and



1 the fact that Mr. White has been mentioning here that
2 this question of the actual rate of true interest that
3 these people are charged. I've got a bee in my bonnet --
4 I don't think that it's possible for any governmental
5 agency at any time to come along and start regulating
6 interest on a mortgage. I think the interest rate on a
7 mortgage is dependent, for one thing, on bonding. Once
8 you get into this you are going to start regulating the
9 whole economy. What I am interested in is making sure
10 that the borrowers know what they are getting into at
11 the time they are getting into it and this is the thing
12 that I feel this Committee should be interested in far
13 more than the question of interest per se or what you
14 are making or what I am making or what the next guy is
15 making. In these cases that have come before us here,
16 I am interested about this Statement of Mortgage because
17 I had a fair amount to do with formulating the govern-
18 ment policy in regard to this Statement of Mortgage and
19 getting that little bit of legislation recorded. What
20 lever was used upon you to kick-back some of these funds
21 to these people that Mr. Simone has sided in on? Was
22 there an attempt to refuse to renew your licence?

23 MR. NEWTON: Yes.

24 MR. LAWRENCE: And how could he possibly do
25 that?

26 MR. NEWTON: I don't honestly know.

27 MR. LAWRENCE: Were these Statements of
28 Mortgage, in each case, completed by you?

29 MR. NEWTON: Yes.
30



the fact that Mr. White has been mentioning here that this question of the actual rate of interest that these people are charged. I've got a bee in my bonnet -- I don't think that it is possible for any governmental agency at any time to come along and start negotiating interest on a mortgage. I think the interest rate on a mortgage is dependent, for one thing, on banking. Once you get into this you are going to start negotiating the whole economy. What I am interested in is making sure that the borrowers know what they are getting into at the time they are getting into it and that is the thing that I feel our committee should be interested in far more than the question of interest per se or what you are making or what I am making or what the next guy is making. In these cases that have come before us here, I am interested about this statement of Mortgage because I had a fair amount to do with formulating the government policy in regard to this statement of Mortgage and getting that little bit of legislation recorded. What ever was used upon you to stick-back some of these funds to these people that Mr. Simon has filed in on. Was there an attempt to refuse to renew these mortgages?

MR. SIMON:

MR. LAWRENCE: And how could he possibly do

that?

MR. NEWTON: I don't personally know.

MR. LAWRENCE: Were these statements of

Mortgage, in each case, completed by you?

MR. NEWTON: Yes.



1 MR. LAWRENCE: And did you tell these people
2 what the rate of interest was that they were paying?

3 MR. NEWTON: Yes.

4 MR. LAWRENCE: Based on the rate of interest
5 that you tried to tell this Committee is, in each of
6 these other things?

7 MR. NEWTON: Yes.

8 MR. LAWRENCE: And you realize now that you
9 were making an error, or do you not?

10 MR. NEWTON: Well, I'll talk to my accountant.
11 I can't fathom it right at the moment. I will dig into
12 it.

13 MR. LAWRENCE: Because the big thing here is
14 (voice inaudible) -- there is still no stipulation that
15 the true, effective rate of interest be shown. This is
16 one reason why, I think, the administration broke down.
17 Even if so, if we are going to be dealing with -- I
18 can't help but use the phrase and I don't want to insult
19 you because I don't think this is the type of Committee
20 where people should be invited here and insulted -- but
21 if we are going to be dealing with people like you, who
22 are in the business every day and you darn well should
23 know what this rate of interest is, you even have the
24 gall to come before this Committee and attempt to mis-
25 lead us.

26 MR. NEWTON: It is not an attempt to mislead
27 it.

28 MR. LAWRENCE: How in the world can we expect
29 to make effective disclosure or legislation when you
30



MR. LAWRENCE: And did you tell these people

that the rate of interest was that high when you

MR. NEWTON: Yes.

MR. LAWRENCE: Based on the rate of interest

that you listed in that bill, Committee bill, in 1967

was, correct?

MR. NEWTON: Yes.

MR. LAWRENCE: And you realize now that you

were making an error, or do you not?

MR. NEWTON: Well, I'll talk to my accountant.

I can't fashion it right at the moment. I will dig into it.

MR. LAWRENCE: Because the big thing here is

(voice inaudible) -- there is still no stipulation that the true, effective rate of interest be shown. This is one reason why, I think, the administration backs away.

Even if so, if we are going to be dealing with -- I

can't help but use the phrase and I don't want to insult

you because I don't think this is the type of Committee

where people should be invited here and invited -- but

if we are going to be dealing with people like you, who

are in the business every day and you damn well should

know what this rate of interest is, you even have the

bill to come before this Committee and to apply to this

Committee.

MR. NEWTON: It is not an attempt to mislead.

MR. LAWRENCE: How in the world can we expect

to make effective disclosure or legislation when you



1 even come to a Committee like this and you --

2 MR. NEWTON: This isn't an attempt to mislead
3 anyone. No, sir.

4 MR. LAWRENCE: You think that some of this
5 situation would be cleared up -- I'm sure you must agree
6 that it is a situation, otherwise you wouldn't have
7 thrown back all these monies to these people -- do you
8 think that this situation would be cleared up if we made
9 certain that in the Statement of Mortgage on these
10 things you had to show the true rate of interest?

11 MR. NEWTON: Absolutely.

12 MR. LAWRENCE: You think a man would come in
13 to you and borrow money at 89% if he thought he was
14 going to be paying 89%?

15 MR. NEWTON: Then he would shop around.

16 MR. LAWRENCE: He would shop around?

17 MR. NEWTON: That is correct.

18 MR. LAWRENCE: (Voice inaudible)

19 MR. NEWTON: He may go to another broker and
20 say, "Look, I'm being charged 89%", and the other
21 broker will say, "I'm sorry, I can't help you at all".

22 MR. IRWIN: In each of those cases, on the
23 Statement of Mortgage loan you actually show, like in
24 the first case, that the amount payable is \$2,880 over
25 a period of time and your charges, and the net payable
26 to you is \$2,000, in this case? How would that have
27 happened in the case of the last person where the
28 man, apparently from the information, was surprised to
29 find he owed another \$375.00?

30



... come to a Committee like this and you --

MR. NEWTON: This isn't an attempt to mislead

anyone, Mr. Sir.

MR. LAWRENCE: You think that some of this

situation would be cleared up -- I'm sure you must agree

that it is a situation, otherwise you wouldn't have

thrown back all these movies to these people -- do you

think that this situation would be cleared up if we made

certain that in the Statement of Mortgage on these

things you had to show the true state of interest?

MR. NEWTON: (Interjection)

MR. LAWRENCE: You think a man would come in

to you and borrow money at 8% if he thought he was

going to be paying 8%?

MR. NEWTON: Then he would shop around.

MR. LAWRENCE: He would shop around?

MR. NEWTON: That is correct.

MR. LAWRENCE: (Interjection)

MR. NEWTON: He may go to another broker and

say, "Look, I'm being charged 8%," and the other

broker will say, "I'm sorry, I can't help you now."

MR. IRWIN: In each of these cases, in the

Statement of Mortgage loan you actually show, I see in

the first case, that the money paid is \$2,850 over

a period of time and your charges, and the net payable

to you is \$2,000, in this case. Now would that have

happened in the case of the last person where the

man, apparently from the information, was expected to

have owed another \$17,000?



1 MR. NEWTON: What was the date of that
2 mortgage, sir? The Schomberg one.

3 MR. SEDGWICK: I think it was in January, 1960.

4 MR. NEWTON: Before the Act came into being?

5 MR. SEDGWICK: Yes.

6 MR. LAWRENCE: He ran that on a bonus. Don't
7 you -- there used to be (voice inaudible) -- it used
8 to be called a bonus agreement?

9 MR. NEWTON: He did.

10 MR. LAWRENCE: He did sign it?

11 MR. NEWTON: Yes he did, sir.

12 MR. LAWRENCE: Certainly?

13 MR. NEWTON: Oh, positively. We had our own
14 bonus agreements even before the Act came into being.

15 MR. LAWRENCE: Why would he be surprised to
16 find he owed \$375.00?

17 MR. NEWTON: Why? Was he surprised? I think
18 most people are surprised when they find that they
19 can't make the balance of the balloon payment.

20 MR. IRWIN: Would this indicate that this
21 man is lying then, or that the lawyer did not properly
22 explain the --

23 MR. NEWTON: No, he was lying. Of course he
24 was.

25 MR. IRWIN: Well, were they all lying? We have
26 had about six cases here this afternoon. Was everybody
27 lying then?

28 MR. NEWTON: No, I don't think they said that
29 they didn't know what they were signing. They each
30



MR. NEWTON: What was the date of that

mortgage, sir? The 2nd mortgage one.

MR. SEDGWICK: I think it was in January, 1930.

MR. NEWTON: Before the A.C. came into being?

MR. SEDGWICK: Yes.

MR. LAWRENCE: He can stand on a horse, Don't

you -- there used to be (voice trembling) -- in name

to be called a horse agreement?

MR. NEWTON: He did

MR. LAWRENCE: He did sign it?

MR. NEWTON: Yes he did, sir.

MR. LAWRENCE: Certainly?

MR. NEWTON: Oh, positively. We had our own

horse agreements even before the A.C. came into being.

MR. LAWRENCE: Why would he be surprised to

that he owed \$375,000?

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most people are surprised when they find that they

can't make the balance of the balloon payment.

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MR. NEWTON: No, he was lying. Of course he

MR. IRWIN: Well, were they all lying? We had

had about six cases here this afternoon. Was everybody

lying then?

MR. NEWTON: No, I don't think everybody was lying

they didn't know what they were signing. They said



1 received a Statement of Mortgage that was subsequent
2 to July of 1960.

3 MR. SEDGWICK: In that connection, if I went
4 to purchase a loan, was it your custom to call a bonus
5 agreement a bonus agreement, that could be used in
6 somewhat euphemistic ways, a collateral advantage?

7 MR. NEWTON: In some cases yes and in other
8 cases no.

9 MR. SEDGWICK: Wasn't it equally descriptive
10 as a dollateral advantage agreement? Advantage for
11 whom? (Voice inaudible) -- yield a collateral
12 advantage, like a bonus?

13 MR. NEWTON: But the bonus was spelled out.

14 MR. SEDGWICK: I see.

DE 15 MR. MACDONALD: Mr. Chairman, will somebody
16 answer a question for me? What are the grounds and
17 what is the procedure for cancelling or withholding a
18 licence at the present time?

19 MR. SEDGWICK: Well the procedure is set out
20 in a number of sections commencing with, I think,
21 section 8 but I think the grounds are fairly narrow.
22 In Section 8 -- where (inaudible) or by false, mis-
23 leading or deceptive statements or (inaudible) -- or
24 by any dishonest concealment of material facts which
25 may, of course, be a misstatement. (Inaudible) or
26 attempting to induce any person to borrow money or to
27 be responsible for the repayment thereof or to agree
28 to the terms (inaudible)

29 MR. MACDONALD: Well, what puzzles me is, if
30 there had been one case which came before Mr. Simone



received a Statement of Mortgage that was supposed
to July of 1960.

MR. SHAW: In that connection, I want
to purchase a loan, was it your custom to call a loan
agreement a home agreement, that could be used in
some way?

MR. NEWTON: In some cases yes and in other
cases no.

MR. SHAW: Would it be equally desirable
as a defense? I mean, would it be a defense for
whom? (Voice inaudible) -- would it be a defense
advantage, like a home?

MR. NEWTON: But the home was applied for.
MR. SHAW: I see.

MR. MADON: The statement, well, would
answer a question for me, what are the grounds and
what is the procedure for cancelling an application
issued at the present time?

MR. SHAW: Well, the procedure is set out
in a number of sections commencing with, I think,
section 5 but I think the grounds are listed in
section 8 -- where (inaudible) of my friend, who
leading or deceptive information or (inaudible) -- or
by any dishonest conduct or (inaudible) facts which
may, of course, be a defense. (Inaudible) of
state being to induce and (inaudible) or to
be responsible for the (inaudible) and of the
to the same (inaudible).

MR. MADON: Well, what procedure is it
there had been one case which came before the State



1 and he saw fit to raise it to the person and, in effect,
2 use the threat that the licence wouldn't be renewed --
3 to get a repayment back, but this has happened a number
4 of times. What grounds beyond that are required for
5 withholding a licence?

6 MR. SEDGWICK: That would be a question, sir,
7 for the Superintendent and not for me, because the
8 decision is his in the first instance.

9 MR. MACDONALD: Then it's up to appeal to the
10 Court?

11 MR. SEDGWICK: That is right, sir, yes, sir.
12 That is Section 11 -- Section 12.

13 MR. LAWRENCE: Then we come to a constitution-
14 al question again. We presumably --

15 MR. SEDGWICK: I don't think so in the
16 cancellation of a licence.

17 MR. LAWRENCE: If we had the grounds for the
18 cancellation of a licence?

19 MR. SEDGWICK: Oh, then I agree, but I don't
20 think there is any clash between the federal and the
21 provincial authorities in the licensing. I think that
22 is settled in connection with the Securities Act.

23 MR. MACDONALD: With all the growing respect
24 I have for the officials of the Department, I would say
25 at this stage that they have been not exceeding their
26 authority, but not using it enough.

27 MR. SEDGWICK: (Voice inaudible)

28 MR. NEWTON: Are you kidding?

29 MR. BUKATOR: Mr. Chairman, I have been
30



and he saw fit to raise it to the person and it is
 use the fact that the license would be to permit
 to get a repayment back, but this has happened a number
 of times. What grounds beyond that are required for
 MR. SHERIDAN: That would be a question, sir,
 for the department and not for me, because the
 decision is his in the first instance.

MR. MACDONALD: When it is up to them to decide
 MR. SHERIDAN: That is right, sir, yes, sir.
 That is Section 1 -- Section 18.

MR. LAWRENCE: Then we come to a consideration
 of question again. We presumably --
 MR. SHERIDAN: I don't think so in the
 cancellation of a license.

MR. LAWRENCE: It is the grounds for the
 cancellation of a license.
 MR. SHERIDAN: Oh, when I agree, then I don't
 think there is any clash between the two and the

provisional authorities in the licensing. I think that
 is settled in connection with the provisions Act.

MR. MACDONALD: With all the grounds required
 I have for the officials of the department, I would say
 at this stage that they have been not exceeding their
 authority, but not using it enough.

MR. SHERIDAN: Are you satisfied?
 MR. LAWRENCE: MR. CHAIRMAN, I have been



1 sitting here very patiently listening to all of this
2 conversation and I must register my likes and dislikes
3 at this point. I was condemning Mr. Lawrence here
4 quite some time ago when he himself said he paid 2% per
5 month on a second mortgage and I thought that was high.
6 And then he goes on to say again today that he is not
7 interested in the amount of interest charged to the
8 people because there is no law to govern it. And then
9 Mr. White yesterday sat here and said that this is the
10 type of usury that Mr. Rosenberg -- was that his name,
11 that was here -- and he said this is the type of usury
12 that you would never believe existed, and you were
13 amazed by it. Well, he goes out of here smelling like
14 a rose compared to what this gentleman revealed here
15 today. And I can assure you that the reason this Com-
16 mittee came about was because we want disclosure and we
17 want to know what rate of interest they are charging
18 and this is a good example, and yet you can't blame this
19 man. There is no law that says he can't do what he is
20 doing and so apparently from his own admission he only
21 charges what he can get from a client to give him money.
22 Is that the way you termed it?

23 MR. NEWTON: No. What I -- there is a market
24 for these mortgages and what the clients want to pay
25 for them.

26 MR. BUKATOR: : So if the man wants \$2,000 and
27 will pay you 3500 to get the \$2,000, you feel it's
28 quite ethical to do that because you only charge him
29 7%?
30



sitting here very patiently... conversation and I want... at this point... quite some time ago... month on a second mortgage... And then he goes on to say again today that he is not interested in the amount of... people because there is no law... Mr. White yesterday not here and said that this is the type of money that Mr. Rosenberg -- was that the name that was here -- and he said this is the type of money that you would never believe... amazed by it. Well, he goes out of here... a rose compared to what this year... today. And I can... almost same about was because we... want to know what rate of interest they are charging and this is a good example, and you can't place any man. There is no law that says he can't do what he is doing and so apparently from his own decision he only chooses what he can get from a client to give him money is that the way you intend it?

MR. WINTHROP: No, what I -- there is a market for these mortgages and what the client wants to pay for them.

MR. BRANTON: Is it the case with the \$10,000 and will pay you \$500 to get the \$10,000, you feel it is quite ethical to do that because you only charge him



1 MR. NEWTON: That's what my client wants to
2 purchase the mortgage at actually.

3 MR. BUKATOR: This is amazing. You talk about
4 yesterday's figures. As much as 84% and now you
5 calculate it at over 100%. And I can assure you that
6 there are cases worse than this one. This Committee
7 hasn't gone far enough. This gentleman is apparently
8 doing this according to the law, what is in the law,
9 but not certainly according to conscience. I couldn't
10 sanction this for 15 minutes in my real estate business
11 or they would have me out of town on a rail. I think
12 this is a terrible thing to have happen to people who
13 are down and under anyhow and that's their last resort
14 and they wind up under these circumstances. No wonder
15 people wind up in jail in many cases. Mr. Chairman,
16 this is most revealing. I can assure you that you will
17 hear from me on many occasions because this is only the
18 beginning of many revelations. I can tell you of
19 other instances as they come along. This man certainly
20 should not be able to walk out of here holding his head
21 high, I can assure you of that.

22 THE CHAIRMAN: Mr. Newton, do you feel that
23 these transactions are justifiable?

24 MR. NEWTON: I had no idea the interest rates
25 were this high. (Laughter)

26 THE CHAIRMAN: Are there any other questions?

27 MR. BELANGER: I don't know how he has been
28 able to (voice inaudible)

29 MR. MACDONALD: Well, in defence of the
30



MR. NEWBORN: That's what he said, wasn't it?

purchase the mortgage at auction.

MR. NEWBORN: This is strange. Now this is

Yesterday's figure. As much as \$100 and now you

calculate it at over 100%. And I can assure you that

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other instances as they come along. This man certainly

should not be able to walk out of here holding his head

high. I can assure you of that.

THE CHAIRMAN: Mr. Newborn, do you feel that

MR. NEWBORN: I feel that the people who

were this high. (Laughter)

THE CHAIRMAN: And there are other people who

MR. NEWBORN: I think that's how we have

able to (voice lowered)

MR. NEWBORN: Well, in relation to the



1 Department, I was critical a moment ago -- we have two
2 views here. We have the view expressed that the
3 Department has gone far beyond its powers already because
4 they take a look at the interest rates that are being
5 charged. Now what this Committee has to do is make up
6 its mind as to whether -- setting aside the consti-
7 tutional issue for the moment -- whether or not it is
8 legitimate that this Committee in its advice to the
9 government should come up with some recommendations as
10 to what to do about this kind of interest rate.

11 MR. HAMILTON: (Voice inaudible)

12 THE CHAIRMAN: Are there any other questions?
13 That's all, Mr. Newton. Well, that concludes our
14 programme for this afternoon.

15 ---ADJOURNMENT.
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Government should come up with some recommendations as
to what to do about this kind of interest rate.

MR. HAMILTON: (Voice inaudible)

THE CHAIRMAN: Are there any other questions?

That's all, Mr. Newton. Well, that concludes our

programme for this afternoon.

---ADJOURNMENT.

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